Pacific overtures
Apec moves from talk to action
Pages 4 and 15

Time for decision
Why the trade pacts must be signed
Editorial Comment, Page 15

Intel insiders
Three men who made it work
Interview, Page 38

Big and bright
T for Texas, T for transition
Survey, Pages 25-28

FINANCIAL TIMES

Europe's Business Newspaper — MONDAY NOVEMBER 15 1993 — D8523A

Tension grows in Congress as Nafta hangs in balance

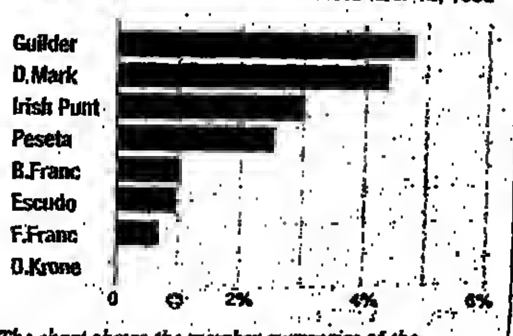
Persuasion and debate will continue up to the last minute this week as members of the US Congress prepare for Wednesday's crucial vote in the House of Representatives on the North American Free Trade Agreement with Mexico and Canada. "The undecided members still hold the balance," vice-president Al Gore said. If Nafta passes the House, it is expected to be approved more easily by the Senate and would come into effect on January 1, lowering tariffs and dismantling trade barriers between the three countries. Page 16; Canada ponders separate deal, Page 4; Leader Comment, Page 15; What Nafta says about democracy, Page 38

Union bid for United Airlines fails: An attempt by unions at United Airlines to buy a majority stake in the US carrier failed after five months. The airline said it would continue its cost-cutting programme, which the unions fiercely oppose. Page 17

Japan has full use for plutonium: Japan will receive about 85 tonnes of plutonium from reprocessed nuclear fuel by 2010 and intends to use all of it, including shipments from Thorp, the UK reprocessing facility which has long-term contracts to handle Japan's waste nuclear fuel. Page 16; UK's Nuclear Electric wants to be privatised, Page 7

European Monetary System: The Dutch guilder remains the strongest currency in the system although the gap between it and the Danish krone, the grid's weakest member, narrowed last week to 4.77 per cent from 4.95 per cent. The Portuguese escudo moved ahead of the French franc after central bank intervention. Currencies, Page 33

EMS: Grid — November 12, 1993



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Bhutto candidate becomes president: Pakistani prime minister Benazir Bhutto strengthened her political position with the presidential victory of Farooq Ahmed Khan Leghari, one of her most trusted lieutenants. Page 5

Apple to license Mac software: Apple Computer is to license to other computer makers the software that makes its Macintosh personal computers unique, thus abandoning the strict proprietary software approach it has adhered to for more than 10 years. Page 19

Chernobyl deaths total 42, say scientists: A total of 42 deaths can be attributed to the 1986 explosion at the Chernobyl nuclear power plant in Ukraine, European scientists said. The figure contrasts with the Ukrainian government's claim that 8,000 people have died so far from the effects of the disaster. Page 2

Industrial workforce set to fall: Manufacturing industry in leading industrial countries could be employing under 10 per cent of the workforce in 30 years, according to two leading economists. The share of manufacturing in total employment has already fallen to around 15 per cent in the US. Page 16

Banks plan immediate settlements: European Union central bankers are to try to reduce the risks of banking system failures by ensuring that banks settle large cash payment claims against each other immediately. Most currently settle with each other through central banks at the end of each day. Page 2; UK banks change 200-year-old rule. Page 7

Agnelli threatened Fiat split: Umberto Agnelli, deputy chairman of Italy's Fiat group, is believed to have threatened to break up the family holding company after recent setbacks within the business. He is to resign his post at a special shareholders' meeting in Turin today. Page 17

Austria announces privatisations: Austria unveiled an ambitious privatisation programme under which a number of industrial companies will be floated on the Vienna bourse and other stock markets around the world. Page 19

Ferranti investors told to take GEC offer: Receivership is the only alternative to GEC's bid of 1p per ordinary share in Ferranti International, shareholders in the troubled defence electronics group were told in GEC's offer document. Ferranti chairman Eugene Andersen said it was vital for shareholders to accept. Page 17

CS Holding raises stake in Swiss bank: CS Holding, parent company of the financial services group built around Credit Suisse, has bought an additional 15 per cent stake in Bank Leu, Switzerland's fourth largest bank, for SFr416m ($278m) in shares and cash. The move raises CS's holding to 70 per cent. Page 19

Austria	Sch30	Greece	Dr300	Lux	LFr65	Qatar	QR12.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft 185	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lev25.00	Iceland	IKr215	Neth	Fl 3.75	Slovak Rp	KSL45
Cyprus	C£1.00	India	Rs40	Nigeria	Naira45	South Africa	R12.00
Czech Rp	CZK45	Israel	Shk5.90	Norway	NKr18.00	Spain	Pta210
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Sweden	SKr18
Egypt	E£4.50	Japan	Y500	Pakistan	Rs35	Switz	SFr3.20
Finland	FM12	Jordan	JD1.50	Philippines	Peso45	Syria	S£50.00
France	FFr9.00	Kuwait	Fils.600	Poland	Zl 32,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Esc215	Turkey	L8000
						UAE	Dh11.00

'Wise men' predict zero growth in west Germany

By Quentin Peel in Bonn

GERMANY'S "five wise men" have warned the government that the west German economy is unlikely to grow in the coming year and the recession may not yet have bottomed out.

The government's independent economic advisers fear that unemployment will top 4m in 1994, up by another 500,000, and industrial investment continue to stagnate. Their report, due out today, is notably more pessimistic than the recent forecasts from the leading German economic institutes. Their forecast of zero growth in west Germany compares with a prediction of 1 per cent recovery by five of the six economic institutes. The government itself is still hoping for a 1.5 per cent growth rate.

Private and public consumption in west Germany are expected to decline for a second year in succession, while investment in plant and equipment is likely to shrink by a further 2 per cent, after a startling 15.5 per cent drop in the current year. The one hopeful sign is a forecast recovery of 2.5 per cent in export earnings, while inflation should slow further to 3 per cent in west Germany and 4 per cent in the east.

Yet the five wise men are probably more hesitant than at any time in recent years in their prognosis for the German economy, arguing that it could easily pick up sooner, or deteriorate further.

"We must emphasise that we do not consider ourselves on safe ground in making this forecast," the authors say. "The danger that the recession could deepen has been initially averted, if not yet fully banished," the advisers say.

They recall that they forecast zero growth for the west German gross domestic product for 1993 – the most pessimistic prediction published last autumn – only to see it heading for a 2 per cent decline. They say a revival of industrial investment is an urgent necessity, combined with rigorous control of public sector spending.

They accuse all levels of the government of failing to pursue a clear and predictable course of consolidation in budget spending over the past two years, thus contributing to the insecurity both of industry and consumers.

The wise men warn that the impending introduction of an oil tax from January 1 and simultaneous increases in social security and pensions contributions are likely to mean a further cut in production in the coming months.

As far as encouraging investment is concerned, they call for further steps to reform the corporate taxation system, with a view to real tax cuts from 1997 onwards. That will be possible only if there is a consistent savings programme at all levels of public spending, they say.

Policy change could mean large savings

Britain to limit Trident nuclear missile force

By David White, Defence Correspondent

BRITAIN is set to announce plans to restrict the size of its Trident nuclear deterrent in the most significant change to the country's strategic nuclear stance since the end of the cold war.

Under the new policy the UK will commit itself to deploying a force with a total explosive power no greater than that of the current generation of Polaris ballistic missile submarines.

The shift means it will need far fewer Trident missiles than first planned, saving possibly hundreds of millions of pounds from the defence budget. Experts say the 44 missiles already purchased would easily fulfil the new requirement, although the navy may seek some extra missiles to keep in reserve.

Trident submarines, due to come into service in about a year, are capable of much larger firepower than Polaris, as well as greater range and accuracy. Each Trident missile carries up to eight war heads, each capable of being directed at a different target, while Polaris missiles carry two or three.

The decision to limit the Trident system's total explosive power, in terms of tons of TNT, to that of the Polaris fleet is due to be announced tomorrow by Mr Malcolm Rifkind, defence secretary, at the Centre for Defence Studies in London.

The move is in part designed to pre-empt criticism that the UK is re-arming while the US and Russia are engaged in drastic reductions in their nuclear arsenals.

In line with US policy, Britain has already withdrawn tactical nuclear weapons from navy surface ships and has roughly halved its stockpile of nuclear aircraft bombs. Last month it abandoned plans to replace its bombs with a new air-launched nuclear missile which would have cost up to £3bn ($4.53bn)

US short-range nuclear weapons deployed with British troops in Germany have also been sent back to the US for destruction under Nato arms cuts agreed in 1991.

Mr Rifkind's announcement will be the first confirmation of the UK's intention to deploy a reduced Trident arsenal, although the government has hinted in the past that it would not seek the full complement of 512 warheads for the Trident fleet.

The Ministry of Defence does not plan to declare the total number of warheads in the fleet, a figure it has always kept secret. Explosive yields are also classified.

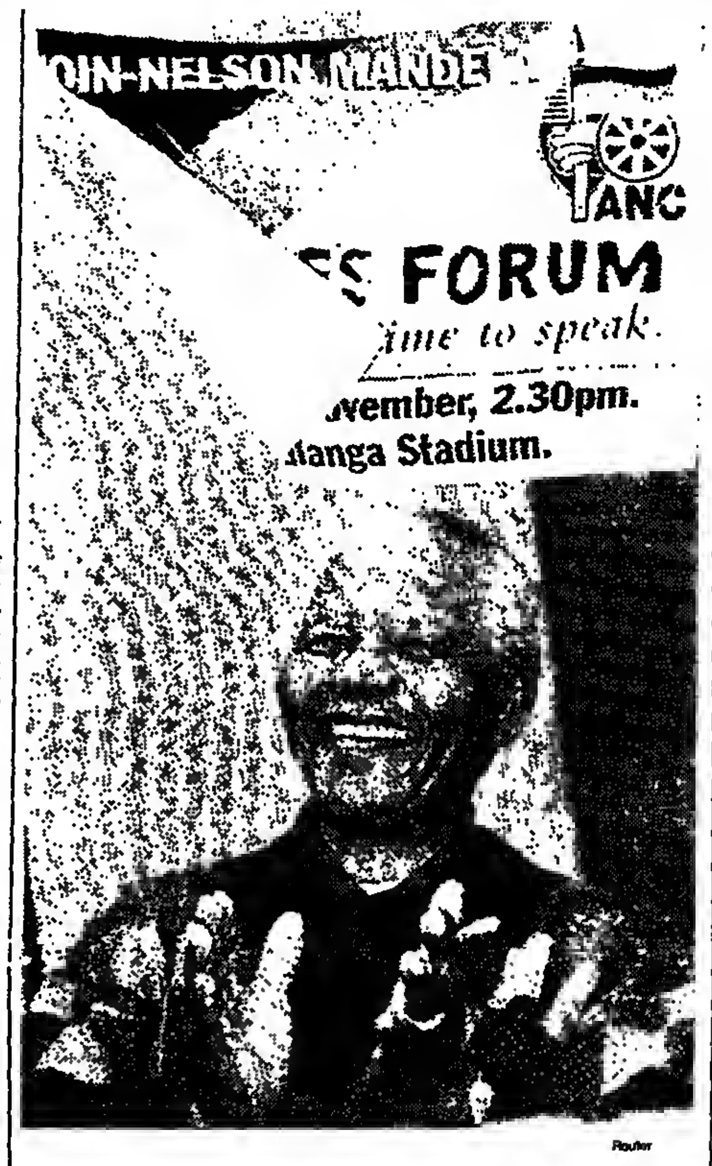
Mr Daniel Plesch, director of the British American Security Information Council, an independent research group which lobbies against nuclear weapons, said it was unclear what figure the ministry would use as the "baseline" for Polaris firepower which would then be used as a yardstick for Trident. He described the expected announcement as "a very positive move".

The decision means that the UK will cut short deliveries of Trident missiles from the US, which supplies them to Britain and undertakes to take them back and replace them when they need servicing.

The Trident D5 missiles, made by Lockheed of the US, while the warheads are manufactured by Britain's Atomic Weapons Establishment.

Reductions in the US Trident programme have threatened to increase significantly the price the UK pays for its missiles.

Under the new policy, Britain's Trident submarines would put to sea with some of their missile-tubes filled with ballast. Some Trident missiles are expected to be fitted with single warheads to fulfil a "sub-strategic" nuclear role, or even with non-nuclear warheads.



Reuter

Mandela attacks de Klerk

African National Congress leader Nelson Mandela addresses a weekend rally at which he criticised President F.W. de Klerk for failing to stop the violence in the townships. But later Mr Mandela told a group of Indian and white businessmen that the president would have a role in a government of national unity after South Africa's first all-race election next April.

De Klerk settles, Page 6

China seeks faster economic reforms

By Tony Walker in Beijing

CHINA'S ruling Communist party yesterday launched the country's most far-reaching economic reforms, aimed at speeding up its transition to a socialist market economy.

In the second phase of a modernisation drive begun by Deng Xiaoping, China's senior leader, 15 years ago, the party's central committee agreed a detailed 50-article manifesto, covering banking, taxation, trade and the reform of state-owned enterprises.

The plan was approved by the 182-member committee after four days of secret talks. A communiqué emphasised that public ownership should continue to be the "mainstay" of the economy, but called for the establishment of a "modern enterprise system which suits the requirements of a market economy".

It demanded the separation of "government administration from enterprise management" as part of an accelerated process of transforming state industries.

Reforms of banking and taxation will include strengthening the powers of the People's Bank, China's Central Bank, and also the introduction of a new federal-style tax system to improve revenue-sharing between the centre and the provinces.

The committee said the accelerated market reforms were needed

Continued on Page 16
China's trade deficit, Page 5

De Benedetti warns of populist backlash

By Haig Simonian in Milan

MR CARLO De Benedetti, the chairman of Olivetti and one of Italy's best known entrepreneurs, has raised the spectre of a populist backlash in his country after new elections, expected early next year.

He warned at the weekend that it might take a second poll before Italian politics and business returned to normal after the convulsions of the political corruption scandal, which has cut a swath through much of the domestic establishment.

Mr De Benedetti, who has himself been implicated after admitting his Olivetti computers group paid more than L10bn ($6m) in bribes, was released from house arrest last week after being briefly imprisoned in Rome.

In his first press interview since his ordeal, he said Italy ran the risk of a social conflagration if the forthcoming elections produced the expected upsurge in support for the regional autonomist Northern League and the Democratic Party of the Left, the former Communists.

The two groups are forecast to dominate the new parliament, along with the remnants of the Christian Democrat party, which is likely to become ever more dependent on votes from the economically depressed south.

Mr De Benedetti said the danger was that the three parties would fail to agree on appointing some form of apolitical government of technocrats, along the lines of the present government of prime minister Carlo Azeglio Ciampi.

A government of that type would be the only way to steer Italy through the difficult period ahead until stable new political groupings took shape and the economy started to pull out of recession, he said.

Mr De Benedetti recognised a government of technocrats was "the most rosy scenario" among a variety of possibilities. Failing such an outcome, populism, which would be the only unifying factor between the three – extremely diverse – parties likely to dominate the next parliament, threatened grave political and economic instability.

In spite of the risks, however, Mr De Benedetti said new elections were essential as soon as possible to replace the present discredited legislature. Only a fresh parliament could push through the new laws required to find a popularly acceptable solution to the corruption scandal, which otherwise threatened to drag on for years, debilitating Italian business and damaging the country's image abroad.

Humiliation for the outsider of Italy's business elite, Page 3

Meat trade takes on the City

By Rachel Johnson

SMITHFIELD'S meat traders will next month pit brain as well as brawn against the Corporation of London in what promises to be a Dickensian denouement to the battle between the oldest meat market in the world and the most medieval local authority in Britain.

The conflict has forced the Corporation to draw up unprecedented plans to reform its voting system.

As the result of an EC directive Smithfield's bloodstained sawdust and hanging carcases will by next year have to be replaced by a temperature-controlled zone where meat is electronically pulleyed through self-locking doors rather carted around the Victorian market by aproned men with wooden wheelbarrows.

Although the Corporation has already spent more than £30m on the first phase of the "upgrade", the traders and Smithfield tenants are having to pay a heavy price to meet the higher standards – both in terms of capital cost of fitting out their stalls - up to £170,000 ($250,000 each) – and higher rents.

After rejecting tenancy terms offered by the Corporation in

Continued on Page 16

CONTENTS

© THE FINANCIAL TIMES LIMITED 1993 No 32,218 Week No 46 — LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

BCCI civil claim planned

ABU DHABI shareholders of the failed Bank of Credit and Commerce International will file a civil claim against 13 senior bank executives standing trial on criminal charges, an Abu Dhabi court said on Saturday, Reuter reports. The shareholders include members of the ruling al-Nahayan family together with state-owned organisations such as Abu Dhabi Investment Authority.

The Abu Dhabi court hearing the criminal case against the 13 executives said on Saturday the civil claim would be based on the criminal charges. Lawyers said the civil claim would be filed on or before December 25.

Arafat urged to curb militants

Ministers in Prime Minister Yitzhak Rabin's Israeli government yesterday called on PLO leader Yassir Arafat to do more to control Palestinian militants who are attacking Israeli targets in the occupied territories, David Horovitz reports from Jerusalem. Mr Arafat has condemned the killing last month of a Jewish settler, Haim Mizrahi, allegedly by five activists from his own Fatah faction of the PLO.

There were also reports last night that Mr Arafat and Mr Rabin are to hold a second summit in Cairo next month.

N Korea hits at US exercise

North Korea yesterday condemned a joint US-South Korean military exercise, saying it could trigger a war during a period of increased tensions on the Korean peninsula, John Barton reports from Seoul.

It warned that South Korea and the US "would be held wholly responsible for irretrievable consequences to be entailed by their provocative war exercises against the North."

Chernobyl death toll 42 say scientists

By Bronwen Maddox, Environment Correspondent

A TOTAL of 42 deaths can be definitely attributed to the 1986 explosion at the Chernobyl nuclear power plant in Ukraine, European scientists said this weekend.

The figure is in apparent contrast to the Ukrainian government's claim that 8,000 people have died so far from the effects of the world's worst nuclear disaster.

Apart from increased rates of thyroid cancer in children, no clear signs have yet been detected of an increase in radiation-related illnesses or deaths. European scientists visiting the region said. They expected a long-term rise in cancer rates, but said some reports of increased illness in Ukraine, Belarus and Russia, the three former Soviet republics most heavily contaminated by radioactive fallout, were unverifiable or premature.

Mr Boris Prister, first deputy minister of Ukraine for protection of the population from the consequences of the Chernobyl accident, said last week: "We are often asked how many people died from Chernobyl, but the truth is, that is one of the most complicated questions of all."

Part of the difficulty in judging the effects of the disaster is the lack of reliable data in some regions from before 1986.

Cancer experts, some of whom have been studying health effects since the explosion, were accompanying a European Community delegation to Chernobyl last week, which included members of the European parliament and the Commission.

In the past two years, the group has conducted a joint research programme, funded by the European Union and the three republics, which have invested Ecu14.2m (£11m) in 16 projects. However Mr Rolf Linkohr, who reports on the programme to the European parliament, said: "This is peanuts – it does not give us a full picture of the needs and possibilities."

Scientists have agreed that the increased rate of normally rare thyroid cancer in children in the contaminated regions can be blamed on the explosion.

Scientists in the EC team say that 35 of the 42 known deaths were people who suffered severe radiation sickness during the past seven years.

Last month, Ukraine reversed its decision to close the plant's two remaining reactors by the end of this year because of power shortages.

Mothers outside St Sofia Cathedral, Kiev, show snaps of children enticed away by the Great White Brotherhood cult, which had predicted the end of the world yesterday. There was no mass suicide, as had been suggested might take place. The mothers failed to find their children Reuter

Immediate settlement of interbank claims urged

By John Gapper, Banking Editor

EUROPEAN Union central bankers have agreed to try to reduce the risks of banking system failures by ensuring that banks settle large cash payment claims against each other immediately.

A working group of bankers led by Mr Tomaso Padoa-Schioppa, the newly-appointed chairman of the Basle committee on banking supervision, a committee of the Bank for International Settlements, has recommended that EU states should establish real-time settlement systems "as soon as feasible".

Banks in most EU countries currently settle net obligations to each other through central banks at the end of each day. However, this is thought to carry risks of systemic financial failure if one bank involved could not meet its bill.

Most EU states are working on a move towards "real time gross settlement". Britain is planning to convert its interbank payments system from net end of day settlement to real time by the end of 1995.

The report recommends that the net settlement systems which continue should meet strict standards. These could raise the costs of these systems close to those of real time systems, and so reduce the incentive to keep them.

The report also says that only central banks and credit institutions should be allowed to participate directly in the transfer of funds.

Mr Padoa-Schioppa said the report had not set down a single date for a move to real time gross settlement because there were complicated technical barriers, and commercial banks would also have to adjust their balance sheets.

Because real time settlement could mean larger continuous swings in balances between banks, it means that commercial banks would have to hold larger cash balances with central banks and provide more collateral.

Mr Padoa-Schioppa said real time gross settlement was "a very profound change, which requires some re-organisation in the banking industry".

French students plan mass protest

By John Ridding in Paris

FRANCE'S student unions are planning a series of nationwide demonstrations today to protest against conditions in universities and a shortage of teachers.

The biggest protests are expected in Paris where students plan to march from the Sorbonne university to the National Assembly where a debate on the proposed 1994 higher education budget is scheduled. Demonstrations are also expected in other cities, including Strasbourg and Bordeaux.

Student unions claim that the budget, which is set to rise by 6 per cent over the budget for 1993, is inadequate. They are also angry about the government's decision in June to cut spending on equipment in universities by 40 per cent from the level outlined in plans announced last autumn.

Mr Francois Fillon, minister for higher education, said his department had received one of the largest increases under the proposed budget for next year, demonstrating the priority given to education by the centre-right government of Mr Edouard Balladur.

The planned protests come at a sensitive time for the government which is also faced with the prospect of strikes at several public sector companies later this week. Unions have called for protests on Thursday against job losses and the government's planned reform of the labour law.

ILO standing at low ebb, say workers

By David Goodhart

THE standing of the International Labour Organisation is at a low ebb as other international bodies usurp its functions and its 167 member-states become increasingly reluctant to ratify new conventions, according to an internal critique of the organisation.

The workers' group on the organisation's tripartite governing body, in a document to be submitted to the current review of the ILO, is unusually outspoken about what many see as the ineffectiveness of the organisation.

The submission makes a strong defence of the workers' group's focus on worker protection in the face of growing pressure from the employers' group to liberalise regulations and switch emphasis to employment creation.

It argues that the ILO must take the offensive in pressing for a "world social charter" and a social clause in the General Agreement on Tariffs and Trade which would make access to world markets dependent on respect for basic worker rights.

The document acknowledges that such a social clause could be seen as "a disguised protectionist mechanism" but argues that it could actually help stem the rise of protectionist pressures and should only lead to trade sanctions as a final resort. It also points out that various commodity trade agreements – such as those covering rubber, cocoa, sugar and tin – already have commitments to fair labour standards.

Mr Bill Brett, the main author of the document and leader of the British civil service union IPMS, says that just as the International Monetary Fund sees itself as guarantor of a world financial contract so the ILO should be the guarantor of a world social contract.

Currently, argues Mr Brett, the ILO is just a "spectator" in structural adjustment programmes imposed by the IMF or World Bank which often lead to violation of basic worker protections. And the ILO, a United Nations agency, has also seen a "dangerous incursion" by other institutions into what should be its field of competence, for example the drawing up of labour codes for African countries by the World Bank.

Mr Brett says that all countries must ratify the ILO's key conventions – on freedom of association, forced labour and discrimination – by the year 2000. Some of these conventions have been ratified by only just over 100 of the 167 member states. The paper also points out that the 17 new conventions adopted between 1980 and 1990 have received an average of 12 ratifications each.

The employer offensive, led by the American Mr Abe Katz, has stressed the excessive legalism and inflexibility of existing legislation.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850; Fax ++49 69 5964481, Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 Copenhagen K. Telephone 33 13 44 41, Fax 33 93 53 35.

A public humiliation for the outsider of Italy's business elite

Olivetti's Carlo De Benedetti is interviewed by Haig Simonian

SOME 400 miles divide the dank cells of Rome's rambling Regina Coeli prison on the banks of the Tiber from the warm, cherry-wood panelled offices of Mr Carlo De Benedetti's business base in Milan.

In the six-hour drive between the two earlier this month, the Olivetti chairman, sandwiched between two Carabinieri officers in the back of a small Lancia sedan, found himself transformed from an industrial mogul to a miscreant.

Rather than take his private jet or 12-cylinder BMW to face the arrest warrant from Rome magistrates investigating Olivetti's kickbacks to officials of the post ministry, Mr De Benedetti wanted to avoid the impression of special privileges, he says. "I wanted to be treated normally."

That self-imposed public humiliation, which included an unseemly episode when his car waa engulfed by newsmen after being blocked by traffic just outside the jail, illustrates one facet of a character whose contradictions make him one of Europe's most fascinating, but bewildering, businessman.

He says he holds no grudges against tha judges at whose hand he suffered the indignities of incarceration. "Accidentally or deliberately, the formalities of going into prison separate you from your personality. In a way, you really do become a number. From an emotional standpoint, this is the most difficult stage," he says.

Nor does he wish to see the same thing happening to others in Italy's business establishment also embroiled in the 21-month corruption scandal. "I'm such an individualist, I'd never think of comparing myself to them. Wanting it to happen to them is the last thing I'd do."

Yet it is hard to believe the brush with justice has failed to unnerve even Mr De Benedetti, whose ability to recover from setbacks and surmount new challenges is one of the most alluring aspects of a business career that has taken him from managing director at Fiat in the 1970s to one of the most daring of the frontier-busting deal makers of the 1980s.

Hearing him retell it now, Mr De Benedetti'a *sang-froid* almost stretches belief. The 4.30am departure for Rome was timed to avoid his spending the night in jail. "I calculated it would take about six hours to drive, another hour for prison formalities and six or seven more for interrogation. That meant I hoped I could sleep in my own bed that night."

As it happened, Mr De Benedetti was released at 11.35pm after two grillings in which he satisfied investigating magistrates that the "new" evidence they had was already in the deposition he had made to their Milan colleagues six months earlier. Earlier this year Mr De Benedetti admitted that the company had paid more than L10bn (£4.1m) to government officials to win contracts.

Even Mr De Benedetti, however, admits to some harrowing moments. "At sunset, when I was waiting for my second interrogation, the prisoners started to sing. Listening to that chorus, there was a moment in which I seriously wondered whether I would get out that night."

Now Mr De Benedetti, like hundreds of others in the scandals, is in a sort of judicial limbo, presumably to face trial at some later date. After a few days under bouse arrest in Rome and then Milan, life returned to "normal" late last week. It is hard to think, however, that life could ever be entirely normal for Mr De Benedetti, who yesterday held a celebratory lunch with friends and family at his Turin home to toast his 59th birthday and the removal of restrictions on his liberty.

Always outspoken, sometimes at risk to himself, he is likely to remain a prisoner of contradictions in his own nature.

He revels in his image in Italy as an outsider, even among the business elite with whom he has made so much of his fortune. Along with Fiat's chairman, Mr Giovanni Agnelli, he is one of a brace of businessmen who have come to represent Italian capitalism abroad.

At home, his image is still one of a slight upstart who is at times unwilling to accept the confines and unwritten rules of the domestic business leaders among whom he moves.

Yet while he revels in being different, Mr De Benedetti has not suffered from being accepted among the Agnellis, Pirellis and their like. His business success has opened the doors to his membership of the club of core shareholders in Mediobanca, the merchant bank behind most big business deals in Italy, and to the controlling ranks of the Confindustria employers' federation, whose latest Rome meeting he rushed to attend on regaining his liberty last week.

In politics, he has used his media interests, notably the best selling daily La Repubblica and the popular L'Espresso news magazine, to scourge much of the establishment, notably the now discredited Socialist and Christian Democrat parties.

That so many members of Italy's political old guard, led by the Christian Democrats who have held uninterrupted power since the post-war return to democracy, are now under investigation is a visible source of satisfaction to Mr De Benedetti, in spite of the fact that he claims he is not in any way vindictive.

"In Italy, we had a sort of Communist regime in which a coterie held power. Its duration allowed corruption to grow exponentially, rather like in Japan. It wasn't quite Russia, in that we had freedom of the press. I was not sent to Siberia. But my Siberia was the Banco Ambrosiano affair." The reference is to the big Milanese bank which collapsed in 1982 soon after Mr De Benedetti resigned after a two-month stint as deputy chairman.

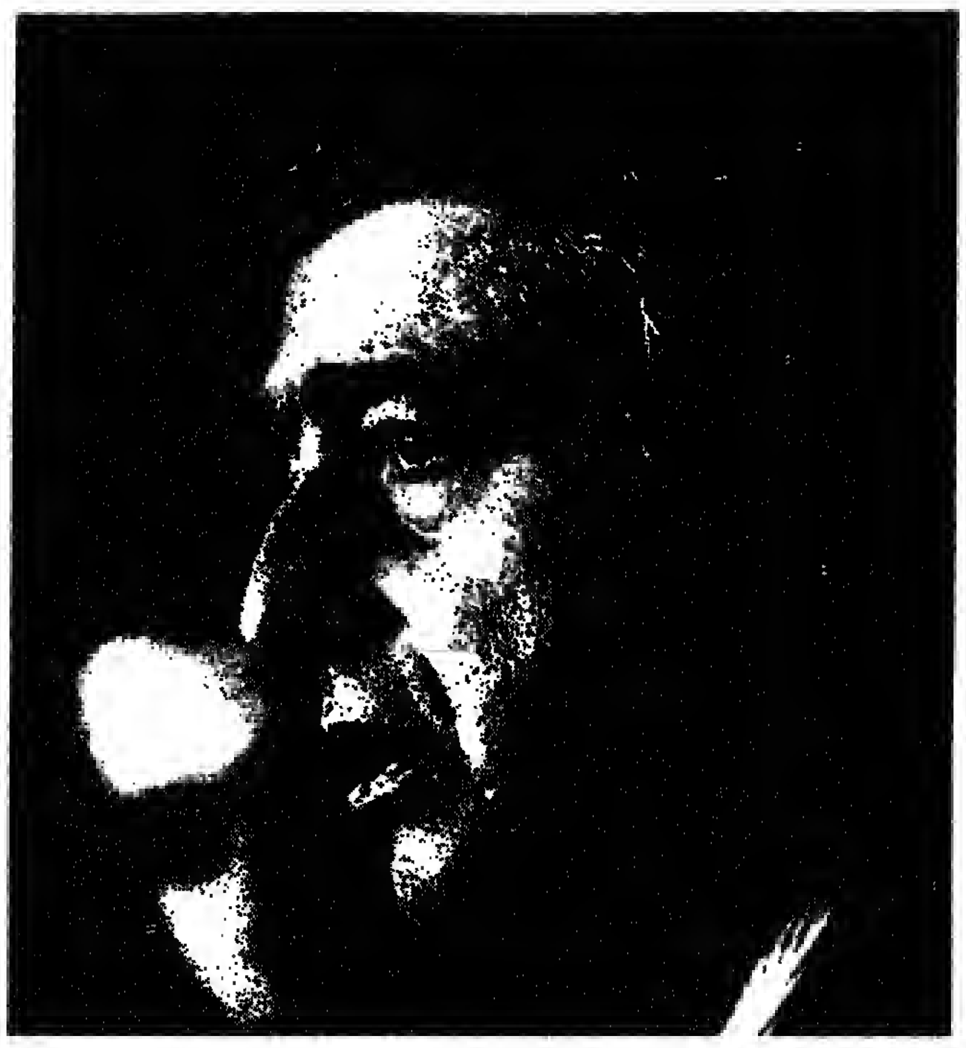
Ha sees the tortuous 11-year legal case, rather than his latest dealings with the judiciary over Olivetti, as his true courtroom Calvary. In April 1992, he was sentenced to more than six years in jail for fraudulent bankruptcy. Although he appealed immediately, his detailed defence can only begin once the full motivation for the sentence is handed down, which has yet to happen.

The true avants surrounding Banco Ambrosiano and the mysterious death of its chairman, Mr Roberto Calvi, found hanging under London's Blackfriars Bridge, may never be known, although some of the mysteries have recently begun to clear. Among the groups believed to have been involved were the Mafia, the notorious P2 masonic lodge and the Vatican, through its own financial institution. Leaked testimony in the latest corruption scandals suggests the bank may also have been a conduit for illegal political funding.

Mr De Benedetti is convinced the sentence against him was politically motivated. It exploded as a bombshell, years after the original charges against him were dropped at an earlier stage in the proceedings.

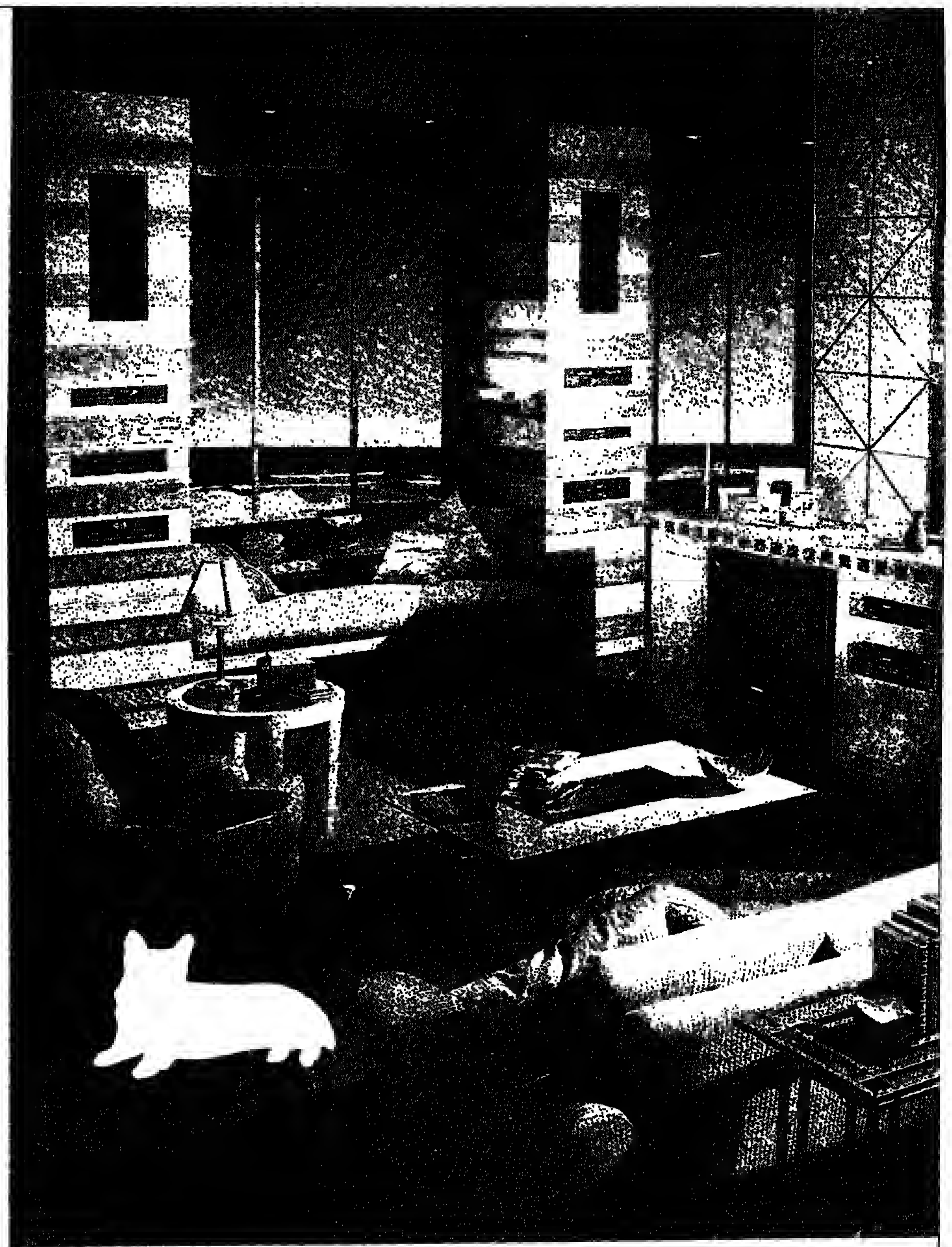
He says explosive oew evidence for the prosecution will be revealed from the witness box next month in the long-running P2 trial in Rome which he says will clear his name. Separately, recent Milanese investigations into a senior judge implicated in alleged bribery has led to what is believed to be a broader inquiry into the conduct of some top judges, including those involved in the Banco Ambrosiano case.

It is that affair which lies at the beart of Mr De Benedetti's quarrel with the judiciary, rather than his recent contretemps in Rome. "There is nothing more damaging for an entrepreneur than to be associated with bankruptcy. I cannot find any other explanation than some form of vendetta," he says. "The other thing is nothing."



Reuter

Carlo De Benedetti: admitted the company had paid more than L10bn to officials to win contracts



Israel and Efta work to widen trading links

By Julian Ozanne in Jerusalem

ISRAEL has held its first joint committee meeting with the European Free Trade Association to widen and deepen trade ties and economic co-operation under the Israel-Efta free trade agreement which came into force last January.

Ms Maria Fekter, Austrian secretary of state for economic affairs, who led the Efta delegation, said the meeting had agreed to push for a pan-European cumulation of rules of origin to stem mounting discrimination by the EC against finished goods produced by Efta states, Israel and other countries.

The joint committee also agreed to work to change the EC requirement that all products enjoying free trade must be consigned directly from one free trade partner to another.

A number of joint technical committees were also established to work on further co-operation in official aid, services, investments, government procurement and the development of joint research and development projects.

Both Israel and Efta said they expected substantially increased trade under the 10-month-old agreement. Last year, Israel imported goods worth $1.2bn from Efta states and exported $487m.

Switzerland is Israel's leading trade partner in Efta and accounts for more than 50 per cent of exports and imports.

"We hope for increased volume and more balanced trade as Efta economies recover from recession," Mr Nati Sharoni, director-general of Israel's trade and industry ministry, said.

On the future relations between Efta and the Palestinian entity, Ms Fekter said the committee had decided to wait for further talks to decide whether the two entities are to establish a joint customs union.

But it is clear that Efta is hoping Palestinian negotiators will accept a customs union which will give Palestinian goods access to the Efta market on the same terms as Israeli products.

"If the Palestinians reject a customs union we will have to do a new bilateral agreement with them," Ms Fekter said.

Both sides also stressed the need for greater government involvement in encouraging businessmen to look for investment and trading opportunities between Efta and Israel.

Wednesday's vote on the North American trade pact still hangs in the balance

Virginian congressmen feel the Nafta heat

Nancy Dunne in Richmond sees protesters on one side and business on the other trying to influence the key decision

IN VIRGINIA the North American Free Trade Agreement evokes a passionate opposition, but football, apparently, still is the reigning obsession.

A "not this Nafta" rally on Saturday provided little competition for the college "game of the century" – Florida State University against Notre Dame. Only 115 demonstrators turned out amid the brilliant autumn foliage in the grounds of Virginia's capitol in Richmond.

They came promptly at two in the afternoon and by three most were gone. The organisers said they were sending a message to Virginia's three wavering congressmen that a "yes" vote on Nafta in the House on Wednesday would be "remembered in November". That is, next November's mid-term elections, when those assembled – mostly followers of Texas billionaires of Mr Ross Perot and union members – would unite to throw the rascals out of office.

"We are absolutely for free trade," says Mr Bill Diggitt, the state director of Mr Perot's United We Stand. "But Nafta undermines our constitution. It puts decision-making in the hands of international panels, which undermines our judicial system."

He says he is concerned about the loss of Virginia's tax base as companies move production to Mexico and place continuous downward pressure on wages.

"The administration is selling everything it can to every congressman it can. That's wrong," he says.

Mr Josh Greenwood, an intense man in an Australian bush hat and aviator glasses, holds a Dalmatian at the end of a leash. He says: "I might run against my congressman myself."

The owner of a small hydro-electric company, Mr Greenwood claims: "Mexican workers are treated like slaves. In Virginia there was slavery, but the slaves were expensive and the people who owned them valued them.

"They had better housing and better sanitary conditions than the workers in Mexico today. The babies of the slaves weren't born with brain damage from concentrated pollution."

Virginia has 11 congressmen. Three have joined the anti-Nafta forces; five have declared themselves in favour of the pact. The three undecided have found themselves in the eye of a lobbying whirlwind.

Mr Greenwood's congressman, Norman Sisisky, spent Friday meeting groups from both sides. "He is trying to sort through the misleading information," says his press secretary.

As a member of the House armed services committee he expects the foreign policy implications of the Nafta vote to weigh heavily in his decision. The Clinton administration has been increasingly stressing the damage a Nafta loss would inflict on US credibility abroad.

This argument carried little weight at Saturday's rally. Mr Ralph Dombrower, a Perot devotee, brought with him the results of an interactive computer poll showing a growing isolationism among American voters.

"The public is becoming less inclined to see the US as arbiter of worldwide human behaviour and wishes to get out of our foreign policy involvements," he says.

The Virginia business community began a intensive pro-Nafta lobbying effort last March. "The unions had gotten to everyone. We were going against a tide of misinformation," says Ms Kathy Otts, co-captain of Virginians For Nafta.

The coalition – 100 of the state's largest businesses and 500 small and medium-sized companies – counter-attacked with an "education" campaign – brochures, advertising, even electronic computer messages. Company employees were exhorted to write or call their congressman.

The anti-Nafta forces on Saturday published long lists of business contributors to the pro-Nafta congressmen. "Constituents only have votes to give, and it seems these congressmen are having a hard time hearing their message," the cover page said.

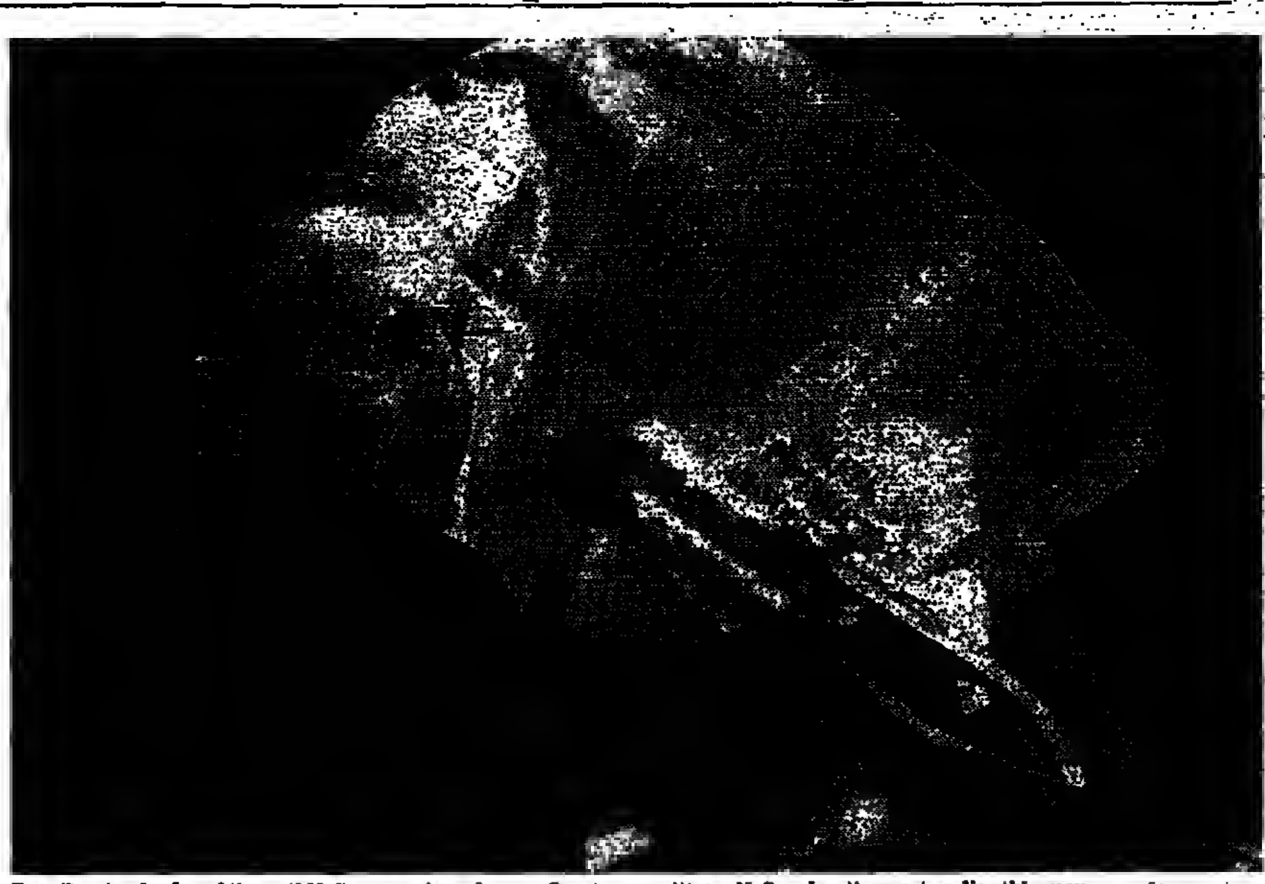
On Friday, after the fifth pro-Nafta congressman announced his position, a dispirited Lorrie Beckwith, an opposition organiser, said her campaign had been hindered early on by a lack of unity. President Bill Clinton seemed to be successfully buying off the undecided congressmen.

One was reported to have been promised that a manufacturing research centre would be located in his district. Another was said to have received assurances of funding for a new aircraft carrier to be built in his district. A visit to Congressman Sisisky had not been encouraging, says Mr Beckwith.

"He says he had a bad feeling about the agreement in his gut. He was concerned it may hurt family farms. But if he is offered a decent project, he says he might find it tough to say no."

In Portsmouth, Virginia, one of the last undecided congressmen, Owen Pickett, is in his district office, as he is every weekend. His door bears a sign, "This office belongs to the people of the second district of Virginia".

The unionised port workers are urging opposition. The military, which comprises most of the district's voters, are worried about jobs in the face of Pentagon cutbacks. "He will listen to everyone's side," a Pickett aide says.



Ross Perot, a leader of the anti-Nafta campaign, shows a Senate committee a Nafta advertisement earlier this year Reuter

Trade talks calendar

- November 17, Washington: Congress votes on North American Free Trade Agreement, linking the US, Canada and Mexico. Failure would deal serious US difficulties in ratifying a Gatt Uruguay Round deal, even if an agreement is reached in principle in Geneva by December 15.
- November 17-21, Seattle: The Apec summit cements closer economic and political ties across the Pacific. Leaders are committed to providing fresh Uruguay Round initiatives if needed.
- December 2, Brussels: [illegible] EU foreign ministers meet; will they clip the wings of EU negotiators in the final critical stages of Uruguay Round negotiations?
- December 10-11, Brussels: EU summit addresses final critical compromises needed for Uruguay Round success.
- December 15, Washington: US administration's negotiating authority in the Uruguay Round expires, imposing an effective deadline for the talks. Brinkmanship can be expected to the last minute, as the US has to deliver an agreement to Congress by midnight – or 6.00am, Geneva time.

Chile's request to join Apec set to be rebuffed

By George Graham in Washington

MEXICO and Papua New Guinea are expected to be invited to join the Asia Pacific Economic Co-operation forum when the 15-nation group meets in Seattle this week, but Chile's membership application is likely to be turned down.

US officials said, however, that although the issue of allowing Chile in would be discussed by ministers in Seattle on Wednesday and Thursday, the Apec organisation operated by consensus.

The absence of consensus over Chile reflects doubts and divisions within Apec over how this still evolving organisation should develop.

Founded in 1989 as an informal consultative grouping, Apec includes not only the six Asean countries but also the US, Canada, Australia, New Zealand, South Korea, China, Hong Kong and Taiwan.

While Apec's Asian members recognise that Mexico's close economic ties to the US – particularly if the Clinton administration wins the House of Representatives vote on the North American Free Trade Agreement on Wednesday – make it a logical member, several countries are reluctant to shift the organisation's centre of gravity further east by admitting Chile.

This in turn reflects suspicion, particularly in countries such as Malaysia, of a hidden US agenda to use Apec as a way of strong-arming Asian countries into opening their markets wider to US exports.

President Patricio Aylwin of Chile pressed his country's case on a recent trip to Asia, but does not appear to have overcome this reluctance.

The argument over Chilean membership also reflects doubts over whether Apec, which established a small permanent secretariat only last year, needs time to consolidate before it adds new countries.

"It's important to bed Apec down before we start expanding it," says Mr Don Russell, the Australian ambassador in Washington.

The expansion issue is unlikely to disappear in the years ahead, as many countries are eager to reinforce their links with a region which boasts the strongest economic growth rates in the world.

Besides Mexico, Papua New Guinea and Chile, Apec has also received overtures from India, Pakistan, Macao, Sri Lanka, Russia, Ecuador and Peru, and even the EC has asked for observer status.

Canada ponders separate deal with Mexico

By Bernard Simon in Toronto

CANADIAN business leaders are urging their government to press ahead with a bilateral free-trade pact with Mexico if the US Congress rejects the tripartite North American Free Trade Agreement this week.

The US House of Representatives is due to vote on Nafta on Wednesday. In a move apparently aimed both at promoting Canada's own interests and at stepping up pressure on wavering US congressmen, the Business Council on National Issues, which represents chief executives of Canada's 150 biggest companies, revealed that its two most senior officers raised the possibility of a Canada-Mexico pact at a meeting with Mexican President Carlos Salinas de Gortari in Mexico City this month.

Canada's two-way trade with Mexico, totalling about C$3bn ($2.2bn) a year, is a fraction of US-Mexico trade. But the prospect of a North American free trade zone has sparked great interest among Canadian businesses in raising trade and investment flows.

Proponents of a Canada-Mexico deal say it would give Canadian exporters and investors a head start on rivals from third countries, and also pave the way for closer links between Canada and other Latin American countries.

According to local reports, the Canadians have floated the idea of Pemex, the state-owned Mexican oil company, moving its North American procurement office from Houston to Calgary. Canadian grain exporters are also eager to keep US rivals at bay in the fast-growing Mexican market.

The Canadian parliament has already ratified Nafta. All that remains is for the law to be formally promulgated.

The Liberal government which came to office in last month's general election has pledged to renegotiate parts of the accord. It wants, among other things, to include a subsidies and anti-dumping code, and to amend the energy provisions of the 1989 US-Canada free trade pact.

Mr Jean Chrétien, Canada's prime minister, is scheduled to discuss these concerns with President Bill Clinton this Friday during the summit of Pacific Rim nations in Seattle.

Diplomats expect that the Americans will agree to set up some form of working group to examine these issues. This would not alter the present provisions of Nafta, but would probably be sufficient for Mr Chrétien to implement the agreement as scheduled on January 1 1994.

Structural maladjustment and the CFA franc

MR Kwesi Botchwey, Ghana's finance minister through what now amounts to 11 years of market-based economic reform, has a favoured response to those who criticise his willingness to swallow the bitter medicine advocated by the World Bank and the International Monetary Fund. "Structural adjustment is very painful," he willingly acknowledges, "but structural maladjustment is much worse."

World Bank officials, chastened after Africa's dismal economic performance over the past "structural adjustment" decade, are quick to echo Mr Botchwey's words. Of course, structural adjustment is not the answer to Africa's ills. The effects of short-sighted developed-country trade policies and decades of under-investment in education, health and institutional capacity will take many years to reverse. But structural adjustment, while far from sufficient, remains necessary: without adjustment measures to free prices, make real interest rates positive and deliver a competitive exchange rate, the chances of investment- and export-led growth in sub-Saharan Africa are negligible.

But there is one, compelling, piece of evidence in support of adjustment that the World Bank and the IMF are, in public, cautious about highlighting: the deepening economic crisis in francophone west Africa. Originally a source of low inflation and economic stability, the combination of the French government's *franc fort* policy and falling commodity prices has delivered deepening deflation among the 14 members of the the Communauté Financière Africaine (CFA), who have kept their currencies pegged to the French franc at the same official rate since 1948.

Structural maladjustment – in this case a 30 per cent appreciation in the real exchange rate since 1985 – has rendered much of francophone Africa's exports uncompetitive. Average government and manufacturing wages in Senegal, relative to average incomes, are three to six times higher than in Indonesia or Ghana. Not surprisingly, the majority of the budget goes to pay the salaries of the urban elite which are then used to buy provide cheap French imports. The losers are the rural masses, whose access to primary education is low even by African standards.

The Bank and the Fund, under heavy French pressure not to rock the boat, are wary of highlighting the CFA franc's overvaluation. But the truth slips out. In a well-argued paper, published by a US-based pressure group, Mr Ishrait Husain, chief economist in the World Bank's Africa department but writing in a personal capacity, has compared the economic performance of the CFA member countries with 14 countries which have pursued structural adjustment in the 1980s. The adjusters saw growth accelerate to an average 4.5 per cent a year between 1986 and 1991. Over the same period, output in the CFA fell by an average 0.2 per cent a year. The CFA countries have the potential to perform much better, Mr Husain and his co-author argue, "but their progress will remain muted until the competitiveness issue is resolved."*

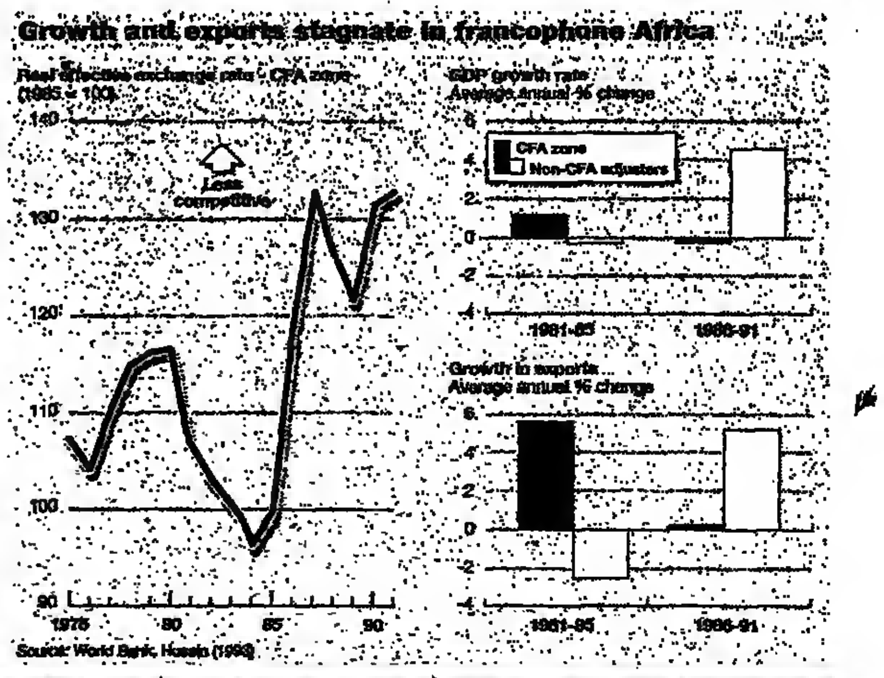
The French government has publicly denied rumours in the French press that a devaluation is planned for the new year. But there are signs that change may be afoot. In August, the CFA member countries banned the repurchase of CFA-franc notes outside the zone in an attempt to stem capital flight, but the CFA franc is now trading at a 45 per cent discount on the black markets of Lagos and Accra.

Meanwhile, the French government has told CFA zone finance ministers that, in future, they must reach agreements with the IMF before French aid will become available, suggesting that France may be moving towards endorsing the private view of the international financial institutions that some form of devaluation is inevitable. The political and economic difficulties of a co-ordinated CFA devaluation are huge. But, as Europe learned this summer, ignoring the need for a realignment will not make the problem go away.

Edward Balls

* *Global Coalition for Africa, 1850 K Street NW Suite 295, Washington DC 20006, USA.*

Growth and exports stagnate in francophone Africa



Source: World Bank, Husain (1993)

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

	UNITED STATES Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	JAPAN Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	-174.2	-162.5	0.7623	100.0	230.8	76.0	64.5	180.50	100.0
1986	230.9	-140.6	-152.7	0.9836	80.2	211.1	96.2	86.8	165.11	124.4
1987	220.2	-131.8	-145.0	1.1541	70.3	197.3	86.1	75.5	166.58	133.2
1988	272.5	-100.2	-107.5	1.1833	66.0	218.9	80.7	66.6	151.51	147.3
1989	330.2	-99.3	-92.2	1.1017	69.4	245.3	70.5	52.4	151.87	141.9
1990	309.0	-79.3	-72.1	1.2745	65.1	220.0	50.1	28.3	183.94	126.0
1991	340.5	-53.5	-6.7	1.2381	64.5	247.4	83.1	62.9	166.44	137.0
1992	345.8	-64.1	-51.2	1.2957	62.9	254.8	101.8	83.8	164.05	142.9
4th qtr.1992	91.5	-17.4	-18.7	1.2658	64.2	65.2	26.9	24.8	155.57	149.7
1st qtr.1993	95.1	-21.8	-18.7	1.1920	66.4	72.4	29.8	30.2	144.38	158.5
2nd qtr.1993	95.3	-25.4	-22.3	1.2069	64.3	73.4	29.0	26.3	132.76	172.4
3rd qtr.1993				1.1443		79.8	31.9	28.0	120.89	
1992 November	30.5	-6.3	n.a.	1.2372	65.1	22.1	8.1	9.3	153.22	150.3
December	31.6	-5.6	n.a.	1.2391	65.3	21.7	8.8	7.8	153.57	150.7
1993 January	30.9	-6.3	n.a.	1.2132	66.4	23.0	8.6	7.4	151.67	151.3
February	31.2	-6.7	n.a.	1.1839	66.7	23.9	10.5	9.4	142.87	159.2
March	33.0	-8.9	n.a.	1.1789	66.2	25.5	10.4	13.8	138.61	164.4
April	31.5	-8.3	n.a.	1.2214	64.3	24.8	9.9	9.6	137.17	167.8
May	32.0	-6.9	n.a.	1.2161	63.9	23.5	10.1	9.1	134.15	171.0
June	31.8	-10.2	n.a.	1.1833	64.5	25.4	6.8	7.6	126.97	178.2
July	32.7	-9.2	n.a.	1.1349	65.9	26.9	11.5	9.9	122.24	181.1
August	34.0	-8.8	n.a.	1.1251	65.7	26.5	9.8	8.5	118.79	188.2
September			n.a.	1.1728		26.4	10.7	6.8	123.63	
October			n.a.	1.1597					124.03	

	GERMANY Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	FRANCE Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	242.8	33.4	21.7	2.2260	100.0	133.4	-3.6	-0.2	6.7942	100.0
1986	248.5	53.4	40.3	2.1279	108.8	127.1	0.0	3.0	6.7946	102.8
1987	254.3	56.8	39.8	2.0710	115.3	128.3	-4.6	-3.7	6.9265	103.0
1988	272.6	61.6	42.9	2.0739	114.6	141.9	-3.9	-3.4	7.0354	100.8
1989	310.2	65.3	52.3	2.0681	113.5	162.9	-6.3	-3.6	7.0189	99.8
1990	323.9	51.8	37.2	2.0537	119.1	170.1	-7.2	-7.2	6.9202	104.8
1991	327.4	11.2	-16.2	2.0480	117.7	175.4	-4.2	-4.9	6.9643	102.7
1992	330.8	18.9	-19.5	2.0187	121.2	182.5	4.4	2.7	6.6420	106.0
4th qtr.1992	82.2	3.4	-4.1	1.9593	125.0	45.9	1.4	2.2	6.6629	108.3
1st qtr.1993	77.0	4.6	-4.8	1.9476	125.6	42.8	2.4	1.5	6.6057	110.0
2nd qtr.1993	75.1	7.4	-3.2	1.9630	124.0	43.9	3.2	3.1	6.6116	108.7
3rd qtr.1993				1.9180					6.6509	
1992 November	26.8	0.9	-0.3	1.9694	124.0	15.2	0.14	0.27	6.6426	109.0
December	26.7	0.5	-2.5	1.9581	125.3	15.4	0.93	1.46	6.6793	108.9
1993 January	25.4	1.4	-2.7	1.9592	125.3	13.8	0.57	0.92	6.6437	109.7
February	27.4	1.5	-1.9	1.9487	125.8	14.6	0.63	0.49	6.5946	110.3
March	24.2	1.7	-0.1	1.9399	125.7	14.3	0.98	0.08	6.5919	108.8
April	25.6	1.8	-2.3	1.9483	125.5	14.4	0.96	0.33	6.5675	110.5
May	24.7	2.9	-0.6	1.9548	124.1	15.1	1.60	2.50	6.6698	108.8
June	24.8	2.6	-0.3	1.9569	122.8	14.4	0.66	0.24	6.5642	108.9
July			-4.4	1.9463	122.0	14.6	1.58		6.6298	107.0
August			-3.8	1.9081	123.6				6.6761	105.3
September				1.8996					6.6465	
October				1.8995					6.6631	

	ITALY Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	UNITED KINGDOM Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	-16.0	-5.4	1443.0	100.0	132.4	-5.7	4.7	0.5880	100.0
1986	99.4	-2.5	-1.4	1461.8	101.4	108.3	-14.2	0.1	0.6706	91.6
1987	100.7	-7.5	-2.1	1494.3	101.2	112.3	-16.4	-6.4	0.7047	90.1
1988	108.3	-8.9	-8.0	1536.8	97.8	120.9	-32.3	-24.4	0.6549	95.5
1989	127.8	-11.3	-17.0	1509.2	96.6	137.0	-36.7	-32.3	0.6728	92.6
1990	133.6	-9.3	-18.0	1528.2	100.6	142.3	-26.3	-23.8	0.7150	91.3
1991	137.0	-10.5	-17.1	1531.3	95.9	147.7	-14.7	-8.1	0.7002	91.7
1992	137.9	-8.0	-20.6	1591.5	95.7	145.1	-16.7	-16.2	0.7359	88.4
4th qtr.1992	34.9	0.0	-3.8	1719.4	87.1	34.6	-5.4	-4.4	0.8015	79.8
1st qtr.1993	32.4	0.7	-2.4	1839.8	80.5	37.6	-3.8		0.8017	78.5
2nd qtr.1993	36.6	3.9	1.7	1814.2	81.2	37.6	-3.9		0.7882	80.2
3rd qtr.1993				1813.0					0.7605	
1992 November	10.8	-1.2	-2.4	1687.0	88.7	11.5	-1.6	-1.35	0.8100	78.3
December	11.8	1.1	-0.4	1747.8	85.8	11.5	-2.4	-2.03	0.7978	80.0
1993 January	8.5	0.4	-1.9	1809.3	82.5	12.6	-1.4		0.7808	80.6
February	10.8	0.1	-0.0	1833.6	80.8	12.4	-1.3		0.8179	76.8
March	12.2	0.2	-0.5	1878.4	78.5	12.6	-1.1		0.8061	78.2
April	11.7	0.0	-0.3	1871.4	79.0	12.2	-1.5		0.7894	80.5
May	12.4	2.3	0.8	1793.2	82.2	12.5	-1.2		0.7855	80.5
June	12.6	1.6	0.5	1778.0	82.5	12.8	-1.2		0.7837	79.6
July	14.7	4.4	1.1	1798.8	80.8	13.1	-1.4		0.7585	81.3
August				1804.2	79.7	13.8	-0.6		0.7545	81.0
September				1838.0					0.7695	
October				1854.9					0.7712	

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

China's trade deficit may reach $9bn

By Tony Walker in Beijing

CHINA appears headed for a $9bn (£6.1bn) trade deficit this year, after imports exceeded exports by more than $7bn in the 10 months to October. This would be China's first deficit on its trading sccount since 1989.

Western economists are predicting that China will register a deficit on its current account in 1993 of about $7.5bn. This would compare witb s surplus of $6.4bn last year.

Customs statistics for October showed tbat imports surged 28.1 per cent to $76.4bn and exports reached $69.3bn - s modest 6.4 per cent increase compared with tbe same period last year.

Mr Fan Baoqing, a senior official of the Ministry of Foreign Trade and Economic Co-operation, blamed the deterioration on the huge demands of the domestic market and bottlenecks in the transport system tbat had hindered exports.

Weak growth in leading export markets, and rising domestic costs had also worked to restrain export growth.

The customs statistics showed that there had been a slump in the exports of crude oil, coal, steel, non-ferrous metals, cement and raw silk. China's booming construction sector had absorbed much of the country's output of steel and cement.

A surge in imports of machinery, electronic goods, cars and aircraft had also contributed to the trada deficit. In tbe 10 montha to October, 227,000 cars were imported and 83 aircraft. This represented increases of nearly 90 and 60 per cent respectively.

Imports of steel and crude oil and derivatives had also risen sharply. Some 23.4m tonnes of rolled steel had been imported, a fourfold increase over the same period in 1992. Oil imports had risen by 50 per cent.

China's foreign excbsnge reserves at the end of the September quarter stood at $18.8bn. Foreign dabt – most of it longer term – was $69.3bn in 1992.

China's slide into the red on its trading aod current accounts are not expected to affect its ability to meet its international obligations.

Benazir Bhutto flanked yesterday by the new president, Farooq Leghari (right) and Wasim Sajjsd, the defeated acting president Reuter

BHUTTO CANDIDATE VOTED TO BE PAKISTAN'S PRESIDENT

MS Benazir Bbntto, Pakistan's prime minister, strengthened her political position yesterday with the victory of Mr Farooq Ahmed Khan Leghari in the weekend's presidential elections, Farban Bobkari reports from Islamabad.

Mr Leghari, one of Ms Bhutto's most trusted lientenants who became the foreign minister after last month's national elections, won by a large margin over his main contender, Mr Wasim Sajjad, the acting president.

Mr Leghari polled 274 votes against Mr Sajjad's 168 in Saturday's voting. Legislators from Pakistan's four provinces, the nstional assembly in Islamsbad and senate, all took part in the vote.

Under Pakistan's constitution, the president has wide constitntional powers including those of sacking prime ministers and dlssolving elected legislatures.

The results were welcomed by many hnsiness leaders. Stock prices on the Karachi stock exchange, Pakistan's leading stock market, yesterdsy rose by 43 points – almost 2.5 per cent, as investors and brokers bougbt heavily, hoping that Ms Bhutto's government was now ln s stronger position with Mr Leghari's election.

US judge lifts curb on TV networks

By Martin Dickson in New York

A LOS ANGELES judge has clesred tbe way for big changes in the financing of the US television industry by lifting a long-standing ban on the three lsrge TV networks – ABC, CBS snd NBC – owning s financial interest in most of the programmes they broadcast.

The ruling by Judge Manuel Real, which had been swaited for more than a year, was made known to Hollywood film industry executives late on Friday.

It will mean tough new competition from the networks for the large Hollywood film studios, which provide most of the prime-time television programming. It could also eventually encourage mergers betweeo the TV networks and the film studios.

The court ban, imposed on anti-trust grounds, was one of two obstscles preveoting tbe networks having s financial involvement in prime time programmes.

The other was the so-called financial interest and syndication rule, imposed more than 20 years ago by the Federal Communications Commission, at a time wben the three networks cootrolled more than 90 per cent of the television market.

With the three networks oow accounting for only 60 per cent of the market, the FCC lifted its ban in April. With both obstacles now removed, tbe trio will be allowed to acquire a financial interest in prime time programming and, two years from now, to sell reruns in the $5bo global market for syndicated television programmes.

Film industry officials indicated they were likely to appeal against the ruling by Judge Real.

Ms Barbara Brogliatti, a spokeswoman for the Warner Brothers film studio and a group of producers, writers and directors, said: "We're disappointed. We fear for tbe survival of independent producers."

De Klerk settles below bottom line on safeguards

S Africa's constitution has no built-in bulwark against majority domination, writes Patti Waldmeir

De Klerk: wanted power-sharing between parties in cabinet

FROM THE day President F W de Klerk set out to transform South Africa, he promised one thing: to prevent the abuse of state power, at the root of Africa's decline, by refusing to let majority domination replace minority rule.

He may yet achieve this: but if he does, it will be the result of luck and the goodwill of the African National Congress rather than the new constitution, which was to have been the chief bulwark against domination.

That document, due to be finalised within days, falls well short of Mr de Klerk's goals. Though some important matters remain to be agreed, the outline is becoming clear: unless there is a wholesale revision at the last moment, the ANC (which represents the black majority) will not be forced to share real power with minority parties.

It may well choose to do so anyway, conscious of the power of the ruling National party in the civil service and the security forces. But the bottom line is that the National party, guarantor of minority interests, would find it difficult to use the constitution to force the ANC to change course.

National party negotiators believe they will not need entrenched oonstitutional provisions to play s powerful role in restraining the ANC: they believe the ANC's assurances that it does not wish to govern alone (and does not believe it could do so effectively); and they judge their electoral strength will permit them st least some blocking power (though they may need as much as 40 or 45 per cent to block decisions in cabinet, and latest polls show NP support at 13 per cent).

But several government negotiators do not dispute that the National party has settled below its bottom line on crucial issues; they insist it had little choice. As a minority government whose power diminisbes by the day, negotiators clearly calculated that a deal done now would be preferable to that availsble next mooth or next year. They recall that the National party would have had significantly stronger blocking powers under the constitution nearly agreed last year in the Conventioo for a Democratic South Africa (Codesa). Some believe the government blundered by refusing a deal then, only to accept a lesser package now.

That package fails to deliver several of the checks and balances which tbe National party had insisted were essential. The party's 1991 constitutional proposals called for political power to be divided between three tiers of government – central, regional and local – with each tier to have "original and entrenched sutbority with whicb other tiers of government may not interfere".

In fact, central government retains wide powers to "interfere" with regional governmeots: tbough tbe regions (to be called "provinces") are to be granted primary responsibility for areas such as primary and secoodary education, housing, bealth, and policing, central governmeot reserves the right to intervene in these areas to impose uniform national norms and standards, to ensure proper regulation, to protect tbe national ecooomy or national security, and where there are implications for natiooal economic policy. In short, the constitution authorises central governmeot to interveoe in terms so vague as seriously to undermine regiooal autooomy.

Though governmeot officials insist that provinces will have "all" powers over primary and secondary education, it is understood that a national curriculum, probably including compulsory languages, will be imposed from the centre and that the central education ministry in tbe new government will retain almost all the powers of the curreot ministry – yet no one would dispute that South Africa is oow s highly centralised state.

In the crucial area of regional policing – perbaps a regional government's most important power – tbe party has compromised its demand for regional police forces. According to a deal yet to be finalised, there is to be only one national police force; government sources say this is merely a symbolic concessioo, because powers will be devolved from the ceotre to regional commissiooers of police responsible to regional, and oot central government.

But sccording to joint ANC/NP proposals, the president will have veto powers over appointment of regional commissiooers; and central governmeot will retain control over public order and internal stability. One ANC negotiator called this "a oational police force with federal trimmings".

Mucb will depeod on bow tbe coostitution will be interpreted by the constitutional court, which will adjudicate disputes between the regions and the centre and do much to shape the future state. But here too, the constitution leaves room for abuse. According to joint ANC/NP proposals, the new president (likely to be from the ANC) will, in effect, cootrol tbe appointments of all 11 Constitutional Court members. He must coosult the multi-party cabinet before deciding, but oo other party is likely to be able to muster sufficient support to overrule him.

Exactly what percentage vote would overrule the new president in cabinet remains to be agreed; but the latest proposal calling for 55 per cent support for most decisions, and 60 per ceot for budget and security matters, falls far short of Mr de Klerk's original demand for a "collective presidency" where leaders of the three major parties would take decisions by consensus.

His promise of "no domination" has always been based on ensuring real power-sharing between parties in cabinet, and between the ceotre and the regions; only time will tell whether such power-sharing develops voluntarily. The constitution does not preveot it – but it does far less than expected to ensure it.

CBI tries to defuse row over Europe

THE CONFEDERATION of British Industry yesterday moved to defuse its growing row with the UK government over Europe.

Government ministers, however, stepped up their criticism of the UK employers' organisation's pro-European policy.

Mr Howard Davies, CBI director-general, said in Harrogate on the eve of the CBI's annual conference that he had heen misrepresented in an interview in a British newspaper last week, when he was quoted as attacking the government's stance.

He said yesterday: "Our position is certainly that of the Bank of England and, I suspect, of the government, that we should aim at convergence between the major currencies before we can talk sensibly about a single currency." He added: "It would cause us no concern if the Maastricht timetable were formally abandoned."

CBI president Sir Michael Angus said: "The ERM is fairly low down our members' list of priorities. I think it is on the government's too." He claimed the results of a CBI survey of British business leaders, released yesterday, were "very much in line with the feelings of government".

Depite these comments, the CBI's position was still causing unhappiness yesterday in government circles.

Howard Davies (right) and Sir Michael Angus at the CBI conference in Harrogate yesterday

Senior ministers attacked Mr Davies for "dancing to his paymasters tune" and making "errors of judgment" in urging the government not to close off the option of a single currency.

Mr David Hunt, employment secretary, will remind the CBI, in a speech to tomorrow, that European unity is not about institutions but about people.

He will tell the conference: "It is people not those in the Community, or Whitehall or even in boardrooms that will decide the future in Europe. It is the people who will set the pace."

For that reason he believes Mr Davis' criticism of the government for appearing anti-European was misguided since it failed to take into account public opinion.

Lord Parkinson, the former cabinet minister and chairman of Eurorail who is addressing the CBI today, was equally disparaging about the industrialist's "unthinking pro-European" stance. He said: "There is nothing less convincing that businessmen talking about politics. Of course industrialists want exchange rate stability and certainty. But at what price. The reality is that we are light years away from a single currency."

However, a cabinet minister yesterday welcomed the CBI's call to close off the option of a single currency. He said it "restored the halance" after the outpouring of Euro-phobia in the Conservative Party and the nation as a whole.

Sir Edward Heath, former prime minister, also backed the CBI's call for a more pro-European approach.

He said: "Thank God the CBI have spoken up at last. They are the industrial basis of this cnuntry. They have to deal with finance. They are the people who have to get nur exports for us and put our economy right. They ought to be listened to."

The CBI's survey showed that just over half regarded a single currency as unnecessary, while believing it would help business over the long term. Eight per cent thought a single currency would be damaging to European prosperity. Only 7 per cent believed the UK would belong to a single currency hy the year 2000.

There was also criticism of the European Commission, whose president, Mr Jacques Delors, addresses the CBI conference today. More than 60 per cent thought the effect of the European Commission on wealth creation was "on balance negative".

Banks change 200-year-old rules for clearing cheques

By John Gapper
Banking Editor

BRITISH banks are preparing to process cheques for each other, or to pay companies to do so on their behalf, for the first time since the clearing system was founded in the 1770s.

Fears over growing costs have led to an agreement to change the rules of the Cheque and Credit Clearing Board (CCCB) – which regulates processing and clearing of cheques and credit vouchers – to allow joint ventures and new entrants.

Several of the UK's hig clearing banks are thought to be in the early stages of talks over joint ventures, or sub-contracting of paper processing, after an analysis showed that unit costs could rise hy 20 per cent by the year 2000.

The banks have carried out all their own processing up to now. This means that each has to transport large volumes of cheques and other paper around the country before they are automatically sorted, and payments registered.

The Association for Payment Clearing Services predicts a 25 per cent fall from the 4.1bn cheques and credits processed last year over the decade. This will mean that the £1.5hn annual cost will be spread over fewer transactions.

Mr Gordon Younger, chairman of the CCCB, said that hanks had not yet formed plans to amalgamate processing centres, hut the problem of growing costs meant that there were likely to be efforts to increase volumes handled at each centre.

"As volumes dwindle, some people are going to suffer and they are going to have to hite the hullet in some way," said Mr Younger.

He said that detailed rules for which outside parties might be admitted were still to be drawn up.

The hanks participating in the Access credit card company have sub-contracted processing to First Data Resources. Some hankers have called for a similar joint approach to the separate networks of automated teller machines.

The change in CCCB rules coincides with an estimate hy S.G. Warhurg Securities that banks are only recouping some £2.5bn in revenues from the clearing system compared with the total cost of £4.5hn estimated in an Apacs study.

Treasury computer model may be flawed

By Peter Marsh
Economics Correspondent,

THE UK Treasury may bave been lulled into complacency about the impact of a hudget-day tax rise hy a flaw in its computerised economic model, according to a study to be published this week.

The study from the Centre for Economics and Business Research, a consultancy, says the model fails to take into account how a tax increase would shock people into spending less. It consequently underestimates the impact on consumer spending hy about half.

The consultancy has sent its study to Mr Kenneth Clarke, the UK chancellor.

The Treasury's model is a set of equations described hy computer software which simulates how the economy works. The Treasury has recently heen examining whether to hring in a private sector contractor to update the model.

Agents lose jobs ahead of EU laws

By Ian Hamilton Fazey
and Stewart Dalby

MANY British companies are sacking their commercial agents to avoid being caught hy new regulations which will implement European laws in the UK on January 1.

The regulations will make agents much more difficult to sack in some countries and guarantee high levels of compensation if they are. The regulations will also give agents the right to inspect their principal's books to check their commission and assess their future prospects.

Agents sell on commission for companies which appoint them to do so. They are different from distributors, who take title to goods they sell and assume responsibility for any ensuing bad debts.

The government estimates that the changes could cost companies between £5,000 and £80,000 per agency agreement if they try to cancel agreements after January 1. Mr Ian Campbell, director-general of the Institute of Export, said: "Companies are going to have to become urgently aware of the need for proper agency agreements. They must become more professional in their dealings with agents."

The regulations will bring the UK into line with the rest of the European Union, where in most countries the law has been weighted in favour of agents over the companies which employ them since 1986.

They will replace the informal common-law approach which governs agency agreements in the UK and is based on cases and precedent.

The new regulations will apply equally to agents in any EU country. As this includes Britain, many companies are urgently examining the implications for agents they use in UK domestic markets and mainland Europe.

Mr Michael Thornton, a partner in Laytons, a law firm specialising in foreign trade, said: "Many agency agreements have been made by sales managers with no knowledge of the legal implications. Many agreements have been oral and concluded by handshake, or simply by exchanging letters."

Nuclear Electric aims to be privatised

By David Lascelles,
Resources Editor

NUCLEAR ELECTRIC, the state-owned operator of nuclear power atations in England and Wales, wants to he privatised as soon as possible.

It has indicated that 1995-96 would be an appropriate date because it expects to be fully cnmmercial hy then. That would also enable the sale to take place in the life of the present government.

The government is currently preparing to launch a review of the nuclear power industry. The terms of reference for the review, promised after the recently announced coal mine closures, are being drawn up hy ministers, and Nuclear Electric is anxious to get privatisation on the agenda.

According to senior executives, NE is basing its case for privatisation on two main points:

- That the company has made hig efficiency improvements and is now close to making s profit without outside help;
- Thst the government's reluctance to finance new nuclear atations means the industry will have to be privatised if Britain is to have a long-term nuclear power industry.

Next month, NE is expected to report first half profits of more than £450m ($680m) compared with £661m for the whole of last year.

Howevar, those figures include the £1.3bn "nuclear levy" which NE receives from electricity consumers to help it build up provisions against its costs in decommissioning life-expired reactors. NE aims to make a profit excluding the levy by 1995. The levy is due to be phased out hy 1998.

Tory MPs want cuts in spending, says survey

By Philip Stephens,
Political Editor

DEEP diviainna amnng Conservative MPs over whether taxes must rise to reduce the UK government's £50bn-a-year ($75.5hn-a-year) borrowing requirement have highlighted the dangerous political balancing act faced by Mr Kenneth Clarke, the UK chancellor, in his hudget on November 30.

A Financial Times survey of opinion among Tory MPs at Westminster reveala that a large majority wants the burden of cutting the government's indebtedness to fall more heavily on public spending.

Over two-thirds argue that the chancellor should reduce further the government spending targets already agreed for the next three years. An even larger majority (80 per cent) wants an early cut in interest rates to underpin the currently hesitant pace nf economic recovery.

The survey, based nn written responses from 75 Conservative MPs during the past three weeks, exposes their deep unease about the planned imposition of value added tax on domestic fuel.

Some 57 per cent of those polled believe it is ton late now to reverse the plan annnunced by Mr Nnrman Lamont, the former chancellor, but 48 per cent say household heating bills should not be subject to the full 17.5 per cent VAT rate.

That figure points up the serious risk of MPs rebelling against the tax unless Mr Clarke unveils a compensation package which includes generous help for those on low incomes just above the state benefit levels.

MANAGEMENT

Tim Dickson and **John Authers** look at two new training initiatives

A week to stand out

A recent survey showed that roughly 90 per cent of UK organisations think management training is "a good thing". But whereas those who promote motherhood and apple pie generally put their money where their mouths are, the same study suggested that only 50 per cent of UK companies run formal management training programmes to underpin their beliefs.

It is this gap which the Management Charter Initiative, an independent body backed by 1,600 companies and the UK government, has tried to fill for the last five years.

By its own admission there is still a long way to go. MCI's chief executive Andrew Summers estimates that about 11 per cent of UK organisations are applying the benchmarks of best practice it has developed for middle and first-line managers and supervisors; perhaps half of these are encouraging their staff to acquire a National Vocational Qualification in management.

MCI's underlying thesis that the ability of managers can be improved by adhering to a set of standard competences has also run into some scepticism.

Undeterred, MCI is aiming to raise its profile and spread the message with its week-long Be a Better Manager campaign, which starts today and has the backing of the Confederation of British Industry and the Department of Employment. Around 7,500 managers in the UK will be working to a selection of MCI's management standards for the first time, assessing at the end of the exercise what they have got out of it.

Tony Andrews

Donald Kirkham, chief executive of the Woolwich Building Society (second left), with fellow participants in the campaign

The campaign is being fronted by the Woolwich Building Society, National Westminster Bank, Auto Windscreens (part of the building products group Heywood Williams) and the Magistrates Court Service. Others taking part include the National Trust, BBC Wales, Texas Homecare and the Benefits Agency.

Participants will work to one of four, one-page checklists – managing the workplace, cost control, leading meetings and setting objectives – each of which is an abridged version of an MCI standard. At the end, individuals compare what they expected with the benefits achieved.

Parts of the MCI check lists may seem obvious, but no more so than the advice some management consultants sell for a fancy fee.

Setting objectives and explaining them, keeping spending within budget, preparing adequately for meetings and ensuring equipment is maintained, are ideas which bear constant repetition. All the more so given the extra responsibilities thrust on to middle managers due to "delayering" (the removal through sacking and early retirement of entire management tiers).

Judging by their comments at Friday's press conference, the four front organisations are enthusiastic about the campaign, expecting it to raise the profile of management development within their companies or services and to encourage wider employee participation. Its success will depend on how far the MCI convinces others that adhering to the standards has demonstrably improved these organisations' management performance.

Summers says the chief barrier to more widespread management training in UK companies is not cost. "When we ask people that usually come eighth or ninth on the list. The sort of thing they tend to say is that they are too small, that they only employ trained staff, or that they have no time."

For further information on the campaign; Freephone 0891 616999

TD

Cinderellas en route to the ball

Companies looking to cut training bills could do worse than look at the UK's further education colleges.

FE colleges, which provide post-16 vocational training, adult education and increasingly offer an alternative to schools for teaching A-levels, have a reputation as the "Cinderellas" of British education, mainly thanks to the country's traditional preoccupation with academic qualifications. But they have the resources to produce work tailored directly to the technical training needs of individual companies.

Large employers already make extensive use of FE colleges, but take-up by smaller companies remains disappointing. At a CBI conference tomorrow, John Patten, the education secretary, is expected to announce a package of measures to help businesses fund or build links with FE colleges.

The experience of Rover and Land Rover in Birmingham highlights the possibilities for larger companies. Land Rover used to have its own training school. Trainees and apprentices would then be sent to East Birmingham College to brush up on theoretical details. However, it closed its school 10 years ago because it seemed more cost-effective and now uses the college's larger facilities for all its first-year training. Land Rover's trainers attend all classes, and trainees, who work together in one group, are sponsored by the company.

Fees are fixed in line with what the college can afford. Since April, colleges have been "incorporated", meaning their funding is devolved, but comes ultimately from central government rather than local education authorities. This makes costing more transparent, allowing employers to negotiate more easily over price.

Rover's Longbridge factory has similar links with Bourneville college outside Birmingham, along with its own education service. John Towers, Rover's managing director, believes investment in education schemes and local colleges is "nothing to do with altruism, it's about competitive dynamics".

Working with colleges allows the company to take on young people at 16 and put them through a common learning programme closely related to their eventual work, but at the same time allowing flexibility. Rover's programme allows employees ultimately to earn a university degree, via an arrangement with the University of Warwick.

Any new government action should allow more companies to benefit in the same way.

JA

TIPS FROM THE TOP

An art that deserves a high priority

Martin Broughton, chief executive of BAT Industries, on how to handle communications with the City

This is a dangerously presumptuous subject for an article as it presupposes there is a "right" way of handling communications with the City and that we are arrogant enough to think we have found it. That would be far from the truth. But I think what we have got right is recognising the need to give a high priority to communications with the City.

What is investor relations? Is it an art or a science? The dictionary defines the former as "skill as the result of knowledge and practice", while the latter is "often opposite to art" or, more usefully, "a branch of study concerned with a demonstrated body of connected truths". Given that no less an expert than Lex in the FT once wrote that Wellcome's shares "might either double or halve", the field seems to be a little short on science.

Our objective is not directly to promote BAT as an investment, but rather to explain the company. The syndicated tracking research which we do every year through Mori is a useful starting point because it helps us to understand what sources of information are important to our audience.

In terms of sources of information, for instance, it is remarkable that a recent Mori survey reveals that more than 90 per cent of all investors described brokers as "most useful" to them in their jobs. This paints a very different picture to the commonly held notion that institutions are paying less and less attention to brokers' analysts. This is just as well, because I know how much time BAT spends with the brokers' analysts, even though more and more institutional representatives are now coming to our results briefings.

BAT started reporting quarterly in 1987. It gives the company twice the number of formal occasions on which to talk to the City, as well as making the flow of information more frequent. The typical six-month gap between preliminary and interim results can allow uncertainties to develop or can lead to a company that is "out of sight" also being "out of mind". Apart from results days, when we hold a press conference and a video-conference with US analysts, as well as the UK analysts' briefing, the other face-to-face elements in our programme include facility visits to our operations and small group meetings with investors.

A recent visit to Farmers, our US insurance subsidiary, shows how difficult it is to manage these events. We intended to improve the parties' long-term understanding of a key business and general feedback suggests that was successfully achieved, but one analyst couldn't resist publicly reducing his forecast before the presentations had even finished, leaving the market with a different perception of the visit. Although BAT does not organise a facility trip every year, we are committed to visiting our leading shareholders in person annually.

What are shareholders looking for? Again, the Mori research tells us that the two most important factors are the quality and strength of management and the company's financial status. Given the first of these, it is not surprising that leading investors should want to meet the management face to face.

Contrary to what might be expected, I believe that companies try very hard not to reveal any "inside" information under these privileged conditions. Indeed, in BAT's case, this part of our programme is always timed for the period immediately following a reporting occasion.

I have tended to concentrate, in this article, on the core of our investor relations activity but it does not exist in isolation, being supported by a range of corporate information and even some corporate hospitality. The annual and quarterly reports are another essential part, while advertising our results on the financial pages of national newspapers enables us to explain the company's performance, in a controlled way. We try hard, but we know what we're up against in communications with the City. After all, to invest can be an irregular verb. I have heard it conjugated: "I invest… you finance… they speculate."

Next Monday: Mick Newmarch of Prudential Corporation on how to move the corporate headquarters.

LEGAL NOTICES

No. 009517 of 1993
In the High Court of Justice
Chancery Division

IN THE MATTER OF
EUROPCAR UK LIMITED
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 1st day of November 1993 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £37,005,100 to £1,000,000

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 24th day of November 1993.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 15th day of November 1993
Matthew Arnold & Baldwin
P.O. Box 101,
20 Station Road, Watford
Herts WD1 1HT
Solicitors for the above-named Company

No. 009392 of 1993
In the High Court of Justice
Chancery Division
Mr Registrar Buckley

IN THE MATTER OF
POUNDSTRETCHER HOLDINGS LTD
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 27 October 1993 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Share Premium Account of the above-named Company by £6,776,971.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday 24 November 1993.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A COPY of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

DATED this 12th day of November 1993.
Berwin Leighton
of Adelaide House
London Bridge, London EC4R 9HA
Ref: H/B674/111
Tel: 071-623 3144
Solicitors for the above-named Company

WARDLEY GLOBAL SELECTION

Société d'Investissement à Capital Variable
7, rue du Marché-aux-Herbes
L-1728 Luxembourg

NOTICE TO SHAREHOLDERS

Shareholders of Wardley Global Selection - Asian Equity Fund are hereby informed that, with effect one month following the publication of the present notice, the investment policy of this compartment is amended to read as follows:

The aim of the sub-fund is to provide investors with long term capital growth from an actively managed portfolio of quoted securities on the regulated stock exchanges of the economies in Asia, excluding Japan.

Up to five per cent of the sub-fund's net assets may be invested in Indian Blue Chip Stocks listed on the Bombay Stock Exchange.

The Board of Directors

FINANCIAL TIMES SURVEY

HARROGATE

Monday November 15 1993

Tourism: The spa resort with a sparkle.... Page II

The Golden Triangle: Wealth surprises outsiders.... Page III

As Britain recovers from recession, Harrogate's vital indicators are still going the wrong way. Job losses from electricity privatisation, rationalisation and defence cuts have shaken an area where there was full employment only three years ago. Can Harrogate catch up? **Ian Hamilton Fazey** reports

Bright spot's bubble burst

IT would be easy to go to Harrogate – as the leaders of the Confederation of British Industry are doing for their annual conference this week – and mistakenly believe there is not much wrong there.

An air of gentility pervades the town. The unemployment rate is only 7.2 per cent. Fallen autumn leaves have laid a picturesque golden carpet on the many acres of greensward that set off Harrogate's fine Victorian and Edwardian buildings. Some of the best tourist sites in Britain are within an hour's drive.

The town is in a sea of prime agricultural land. Local residents include rich landowners with old wealth and many of the newly-rich progeny of the Thatcher era. Shops and restaurants reflect people's almost emphatic ability to pay top-notch prices for high quality goods and services.

Here is a bright spot of northern Britain. It is part of the county of North Yorkshire, which – like Cheshire on the west side of the Pennines – is the nearest thing the north has to the south in terms of look, feel, wealth and culture.

"We have an upmarket appeal because Harrogate is an unashamedly upmarket place," says Mr Stuart Quin, economic development officer for the borough council, guardedly: he is understandably concerned people might get the wrong impression and not believa Harrogate is in trouble.

But it is.

In March 1990, Harrogate was a jewel in Thatcher's Britain. It was one of the places above the north-south divide that had bubbled. Professor Mike Campbell of Leeds Metropolitan University reckons about 8,000 new jobs were created in the 1980s, with growth in banking, insurance and finance making up for any decline in utilities and manufacturing.

"We were in full employment, with a jobless rate of around 2.5 per cent," Mr Quin says. "There were labour shortages. We were one of the top performers in the north of England and were cited as an example of what could be achieved."

The bubble burst. Harrogate's overall unemployment rate may well be only 7.2 per cent now, but the rate has trebled in three years, worsening more than twice as rapidly as the UK average.

Moreover, the male rate in September was 11.1 per cent, indicating substantial losses of most households' better-paid jobs.

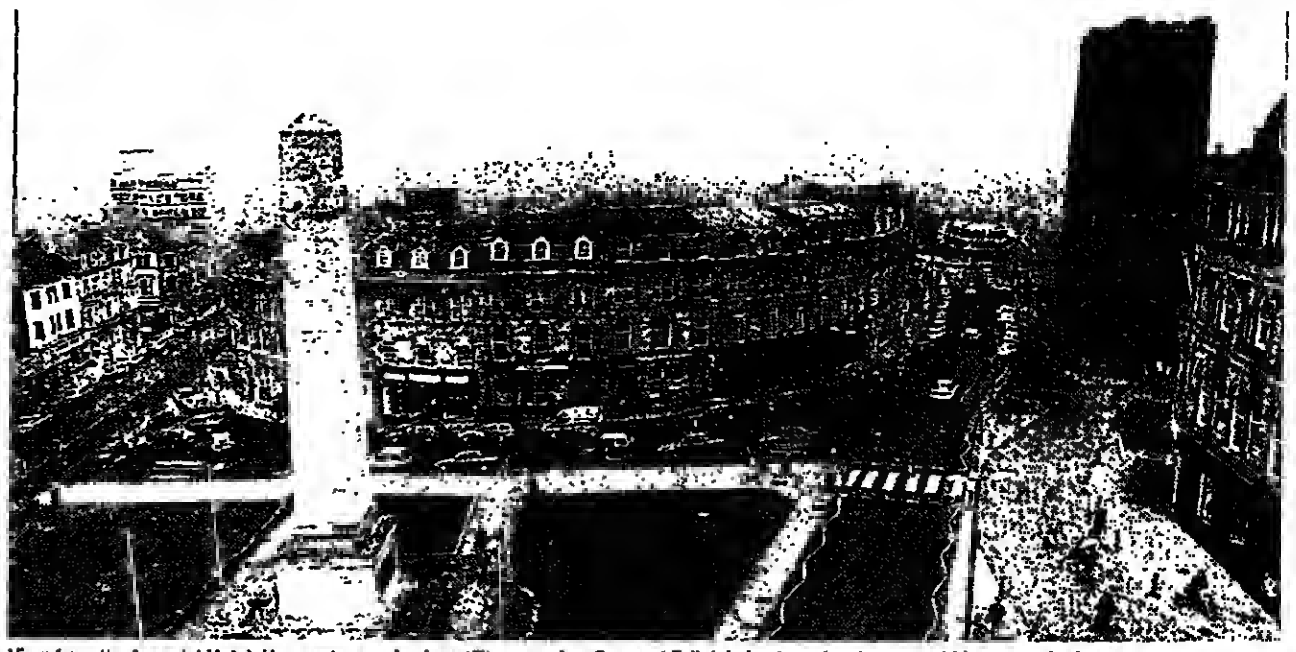
To make matters worse, as the tide turns for the better elsewhere, Harrogate's figures are still going the wrong way. Long-term unemployment – previonsly hardly known – has risen 34 per cent since last year. A study by Prof Campbell estimates an impending shortfall of 5,000 jobs as the workforce grows in the 1990s.

High quality goods: shops in Westminster Arcade, Parliament Street

The immediate cause of unemployment has been a series of shocks to the basic economic structure. "It's the rate of increase in unemployment that has hurt us," Mr Quin says.

"The most pessimistic outlook is that we shall soon be at 11 per cent overall if we don't do something extensive. There is a sense of holding on for grim life."

Harrogate is surviving because a large part of its modern function is as a middle-class professionals' commuter town, particularly for Leeds – 15 miles away and in recent years Britain's fastest-growing regional centre for financial and professional services; it is now the focal point for such activities east of the Pennines.



View from the Imperial Hotel, Harrogate: an air of gentility pervades. Some of Britain's best tourist sites are within an hour's drive. Pictures: Mike Aron

"But we need to be able to survive in our own right," Mr Quin insists. Harrogate is not just a town, but a wide and diverse district covering 520 square miles from York in the east to the Dales national park in the west. It has 150,000 people, including a growing workforce of more than 70,000. Not all are highly qualified professionals able to work anywhere.

To maintain its dignity and avoid dependence on West Yorkshire to the south or state hand-outs for many of its blue-collar workers, Harrogate has to be able to generate more added value within its own borders.

The worry is over how much recent change can be reversed. For example, there has been a run-down in agriculture, both in investment and jobs, which is now affecting food processing, a staple local industry.

Ripon, part of the Harrogate district, last year lost its biggest employer, Premier Poultry. The factory closed with the loss of 360 jobs after Hillsdown, the parent group, bought Unilever's poultry plant at Scunthorpe and moved production there. Ripon's female unemployment rate is now 6 per cent and its overall rate 8.8 per cent.

Another blow has been the loss of several blue-chip corporate headquarters through a combination of national recession, corporate restructuring, and the end of the cold war.

ICI Fibres had its headquarters in Harrogate and once employed more than 2,000 in the town. Rationalisation meant the chemicals giant could not sustain it. Mr Michael Walsh, Harrogate's chief executive, says an unfortunate side-effect will arise because ICI was always first into "partnership" activities with the public sector, particularly in seconding staff to projects.

In Harrogate there were 1,000 employees of the Central Electricity Generating Board who became part of National Power on privatisation. First, about 750 jobs were lost. About 150 more will go soon, with what was once a corporate headquarters now reduced to a small rump.

There is a similar story in defence industries. "We were, in effect, where the corporate headquarters of the RAF was located," Mr Walsh says. Now 1,200 civilian jobs and 300 military ones are going to Huntingdon, in the prime minister's constituency.

Recession also helped cause the loss of Octavius Atkinson, a fabricator of structural steelwork and part of Taylor Woodrow. In 1990, it moved from the town centre to a new site at the junction of the A59 and A1, but closed last April. The 350 lost jobs were skilled manual ones which Harrogate's leaders saw as part of the area's industrial stock-in-trade.

This is not the first time Harrogate has experienced sudden change. Forty years ago the National Health Service decided to stop funding visits to health spas. People "taking the cure" were the mainstays of Harrogate's hotel industry and the local economy faced a substantial loss of business.

The town successfully repositioned itself to stage conferences and exhibitions, which is why the CBI is there this week. However, hotels, catering, conferences and exhibitions comprise a mature sector offering only marginal prospects of making up the latest lost ground.

And there will be little outside help. Although Harrogate is hoping for a limited amount of EC funding – "Konver" to compensate for defence industry closures and 5b Status for some of its agricultural areas – there are practically no incentives on offer.

Harrogate is not badly off enough to be helped, but is at least trying to turn this into a virtue. Mr Quin says: "What we have should be attractive to businsses where skills are at a premium, and it is necessary to pay good money for the right people. With no grants, companies come because of long term business prospects."

With large office users leaving, Harrogate can at least offer competitive prices – £10 a sq ft rents for good space, compared with £12.50 and £18 in Bradford and Leeds. This appeals to back-office financial operations, such as NatWest's Switch card, which moved in this year.

Modern manufacturing, finance and business services, the medical and health care sector, and new small businesses are now the main targets. How Harrogate fares could well be a lesson in incentiveless marketing for the 1990s. Economic development specialists everywhere will be watching closely.

TOURISM

The spa resort with a sparkle

THE centre of Harrogate is exceptionally easy on both the eye and the shoe leather thanks to its spa resort elegance and the rare proximity of its many tourist attractions.

The town boasts probably the most sulphurous springs in the country, bringing the sweet stink of success in the late Victorian and Edwardian eras when the town enjoyed its heyday as the hydropathic (water treatment) industry took off. The Harrogate curative concoction was described by Bertie Wooster, in *Carry on, Jeeves*, as "practically equivalent to getting outside a couple of little old last year's eggs beaten up in sea water." He was possibly understating the case.

The Harrogate water can still be sampled at the Royal Pump Room Museum, on the site where a famous early nineteenth century Harrogate figure, Betty, dispensed a sulphurous brew. Today's luckier visitor can follow up the experience with a visit to a completely different Betty's establishment, the town's most celebrated café tea-rooms.

The spa may have gone but the town has continued to develop its status as a tourist spot and a base from which to make forays into the rest of Yorkshire. The result is that the tourist information centre now handles 275,000 inquiries a year, says Mr Stuart Mackay, head of marketing and sales at the Harrogate International Centre (HIC).

Visitors are drawn by the graceful architecture, the antiques and other shops – the number of fashionably hatted ladies testifies to the well-heeled atmosphere – the floral displays and the restaurants. That's just the town. The surrounding area is bristling with stately homes and historical sites as well as being close to the natural wonders of the Yorkshire Dales.

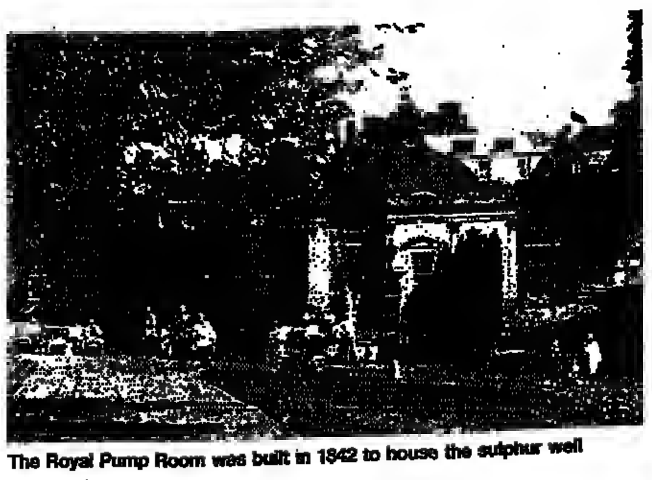
Tourism contributes about £80m-£90m to the local economy according to Mr Stuart Quin, economic development officer for Harrogate borough council. In 1987, Peat Marwick McLintock estimated that 3,500 jobs in the area were directly attributable to the centre's activities. Another 2,500 are estimated to depend on holiday tourism.

"The centre's economic impact has been greater than expected," says Mr Quin, whose own figures indicate that employment in the Harrogate travel-to-work area rose from an index of 100 in 1981 to 178 in 1989.

The centre promotes tourism opportunities as part of the mix which it can offer its customers and is also responsible for maximising the number of accompanying visitors and holiday tourists.

Local businesses have also become involved in shaping the area's strategy. The A Group has started to contribute funds to developments at the centre on a results basis. Its chairman Mr Frank Flaherty, general manager of the Majestic hotel, says this "indicates to the town that we are prepared to work closely with the centre".

In return, Mr Flaherty and his colleagues expect a say on what is planned. For instance, he observes, "a residential-based policy was critical." A Group also participates in the centre's marketing exercises to potential customers.



The Royal Pump Room was built in 1842 to house the sulphur well

The UK and international recession has affected Harrogate and it has come as something of a shock to the town that even some of its more significant hotels have been unable to avoid financial problems and in some cases have gone into receivership.

There is concern that more could be done to target the holiday visitor. "The holiday tourist has been somewhat neglected," says Joy Allan, president of the Harrogate Chamber of Trade and Commerce, and part owner of the privately-owned Green Park Hotel near the town centre, "as the marketing emphasis has been towards the business tourist."

The marketing mix could change soon, as the council is currently debating proposals on the direction holiday tourism should take. Mr Quin says that two main points have emerged from a consultation process undertaken for the council: "There is overwhelming agreement that the district should be marketed as an integrated product, and there is a great deal of goodwill on the part of those operating private facilities towards the idea of co-operating more fully with HIC." Suggestions have been made for enhancement of all-weather facilities, and a visitor management strategy has been mooted, with greater co-ordination of tourism information.

The council is examining the prospective rewards, based on growing interest across Europe

Harrogate's spa industry may also live again, this time as a leisure attraction. The council is examining the prospective rewards, based on growing interest across Europe in spas. Much of Harrogate's spa infrastructure, such as the wells and the Royal Baths Assembly Rooms building (where a municipal Turkish Bath still operates), is still in place.

Other developments being closely watched by the council include the recommendation by the Countryside Commission that the Nidderdale area should officially become an Area of Outstanding Natural Beauty, and North Yorkshire's bid for European Community Objective 5B status, which allocates cash to poor rural areas. If the area is designated eligible on January 1 1994, the council plans to use some of the funds to enhance local rural tourism.

Transport to and around the town is a weakness, and the council is keen to see a bus station restored to the town, having already campaigned successfully for improvements to the railway station. It is also supporting Leeds/Bradford Airport's application for authorisation for round-the-clock flights.

Plans for marketing the area's attractions are many but, as Mr Quin points out, the rich heritage alone will not keep Harrogate's well-heeled ladies in hats or their menfolk in the latest cars.

Harriet Arnold

Round-up of Harrogate's attractions for visitors

Harriet Arnold's guide to items of interest for visitors to Harrogate and the surrounding area.

A: The Antiques fair in September is renowned.
B: Brontë country is within striking distance; also Betty's tea-rooms.
C: Castles such as Ripley and Knaresborough are main attractions.
D: Harrogate positions itself as the gateway to the Dales; Discotheques are sought by conference delegates.
E: Edwardian elegance.
F: Fountains Abbey; Flower shows in spring and autumn.
G: Golf facilities are plentiful.
H: Harlow Carr Botanical Gardens, the Wisley of the north.
I: *Ilkely Moor, don't go baht 'at.*
J: Jorvik Centre in York, which displays the region's Viking heritage.
K: Knaresborough, picturesque historical town.
L: Lightwater Valley, the north's leading theme park.
M: Museums in great number; Mercer Art Gallery in Harrogate; and moors.
N: Nidderdale, also known as "Little Switzerland".
O: Oldest Chemist Shop in England.
P: Pateley Bridge, a Dales town with attractions including museum in Victorian workhouse.
Q: Queen Victoria, who reigned during its zenith as a spa
R: Ripon, historical town with ancient cathedral, Ripley Castle; Restaurants.
S: The Stray, 200 acres of greensward nearly encircling Harrogate town centre.
T: Turkish baths, at the Royal Baths Assembly rooms.
U: The Ultimate, the world's longest roller coaster.
V: It shouldn't happen to a Vet, but it did in North Yorkshire and James Heriot single-handedly boosted the area's tourism by writing about it.
W: Wensleydale, home to UK's most famous vet *(see above)*.
Y: York is the north of England's main tourist focus, with the Minster dominating a range of historical features dating from Roman times.
Z: Zoom down the dry ski slope at Harrogate Ski Centre.

CONFERENCE TRADE

A symbol of determination

THE MODERN conference and exhibition centre set amid the elegance of Harrogate's spa resort architecture is a symbol of the town's continuing determination and willingness to change.

Growth and prosperity had come in the nineteenth century from catering to the Victorian interest and enthusiasm in hydropathy, or water cures. In more recent years the availability of more scientific treatment and a withdrawal of *National Health Service* support for spa cures heralded a period of decline for the resort's water facilities.

Harrogate turned instead to the conference and exhibitions industry. But a report prepared for the borough council in the late 1970s delivered an ultimatum: a substantial investment in new facilities was necessary or it would lose its share of the UK and international market. This would be bad news for a town bursting with hotels – 80 per cent of the area's tourist accommodation is in Harrogate.

In 1982 the Harrogate International Centre opened, ranking in the top five in the UK, with a 2,000-seat auditorium, six exhibition halls (about to become seven) and the 1,300-seat Royal Hall, formerly the Kursaal in Victorian spa days. The adjoining Moat House International Hotel is the first hotel to be built this century in the town centre.

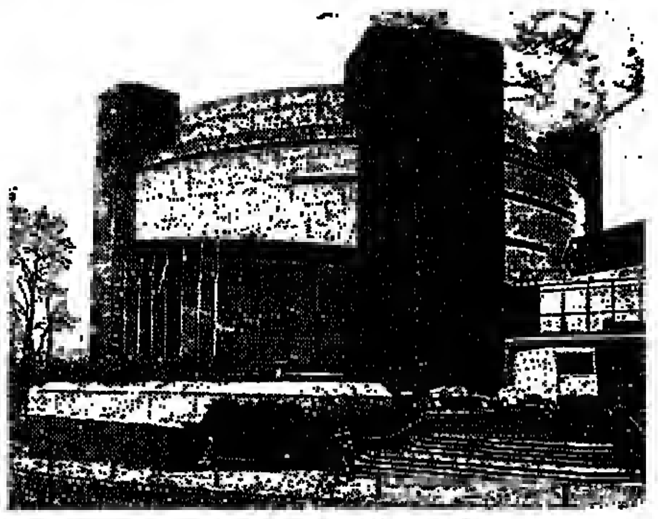
Since then employment in the area has been buoyed by the centre, which hosts national and international events. That did not stopped detractors labelling it a great white elephant, as the original estimated costs of nearly £8m grew like Topsy to nearly £34m, and the Centre – built without support from central government – failed for years to operate at a profit.

In a buyers' market and suffering the effects of recession, the Centre has fought hard to maintain market share. "In a difficult three years, we have done well," says Mr Paul Lewis, director of the Harrogate International Centre, whose strategy has been to market the centre while undertaking substantial improvements.

Harrogate has seen the number of conferences grow from about 1,100 in 1991 to about 1,300 in 1992-93 with the number of conferences linked to exhibitions increasing from 14 to 18 in the same period. The number of trade fairs has dropped by three to 25, but the centre is confident that old or new clients can be brought back into the fold soon. Despite the dip in trade fairs, the total number of delegates has risen to 275,000 in 1992-3 from 272,000 in 1991.

The centre's corporate sector business has been worst affected by recession, but its core growth business has been the expanding market of conferences linked to exhibitions. In addition, a number of clients have committed themselves to the centre for at least three consecutive years. "Associations have to meet," observes Mr Lewis, who also notes that the recession has meant that clients are looking for value for money.

Mr Lewis is particularly targeting the growing medical sector. Recent conferences linked with exhibitions included the European Wound Management conference, while forthcoming examples include the Royal College of Nursing and Healthcare Computing, both on long-term contracts. Mr Lewis estimates that about 10 per cent of the centre's business is from overseas.



Harrogate's modern conference and exhibition centre Picture: Mike Anon

The marketing programme includes taking a stand at International Confex, the exhibition industry's annual show.

The visitor attractions, such as the central large, high-class hotels and the town atmosphere, are part of the package to customers. "I sell the destination as well as the centre itself," says Mr Stuart Mackay head of marketing and sales at the Centre. "Visitors to Harrogate can easily walk to their conference, exhibitions, shops, restaurants, and other tourist attractions." As Mr Lewis says: "If we can't rival Birmingham for space, we can offer the quality of facilities, service, and the ambience of the town and district."

When delegates to the conference of the Institute of Personnel Management, which has been held in Harrogate for 47 years, were asked if it was time for a change of venue, "respondents said overwhelmingly 'Please do not move'," says Ms Marie Ricot, organiser of the conference. She, too, cites the proximity of all the locations that delegates need or want to visit, and the ambience of the town.

The centre's quality facilities and the village atmosphere attract national and international rather regional customers. Many are prestige events, such as the Confederation of British Industry conference this week, which marks the first time the CBI has returned to the same venue for two consecutive years.

The latest developments at the Centre again grew out of the findings of another report, by Peat Marwick McLintock in 1987, which examined its future role, funding options and management. It found that although many customers were very loyal to Harrogate, the exhibition facilities were becoming dilapidated and demand for extra space could not easily be satisfied.

Since then, a development programme in three phases has been initiated. Phase 1 was a refurbishment programme of the exhibition space to upgrade the roofs, air conditioning, toilets, floors, lighting and organisers' accommodation, with the last work scheduled to end by January 1994.

Phase 2 will implement a new catering facility, with bars, restaurants and entertainment areas, to be completed over three to four years.

Phase 3 aims to build a new exhibition hall on the Royal Hall carpark. It will be funded by profits from the centre, which traded profitably for the first time last year, and is scheduled to be in place by the end of the decade.

But the greatest current project for the Centre is the opening in April 1994 of a new exhibition space, Hall Q, in place of a superstore which has moved to a new site. "It will give us a new dimension in marketing for new business," says Mr Lewis. "Now we can accommodate larger events, with 1,740 sq m in net saleable exhibition space in the new hall".

Not only will Mr Lewis be able to target bigger event holders, but in a development that he calls pioneering, the Centre will "sell the whole product – hall hire, stands, electricity, even carpets, will all be laid on. The user can just walk in and set up."

Harriet Arnold

IN addition to its many conferences, Harrogate is host each year to one of agriculture's most popular events – the annual Great Yorkshire Show.

During the second week of July around 90,000 people attend the three-day show, the biggest agricultural event in the North of England.

First held in 1838 in York, the show moved to Harrogate in 1951 to a site on the edge of the town. Over the last few years, however, its organisers, faced with the need to upgrade the site's facilities, have been debating with their 8,000 members and the general public whether the event should continue on this land.

They have now decided that it will do so; the proceeds of an £11.5m deal in which four acres of the site have been sold to Sainsbury will be used to develop new, modern facilities which, between shows, can be let out to other organisations to generate more revenue. Significantly at a time when farmers are increasingly having to think of adding value to their basic products, the new site will also include a purpose-built food show hall, promoting the best of Yorkshire food.

AGRICULTURE

Uncertainty clouds outlook

The presence of the Great Yorkshire Show in Harrogate is just one reminder of the strong agricultural backbone of the surrounding area. A total of 4.2 per cent of the Harrogate district's employees in employment in 1989 worked in agriculture, forestry and fishing, compared with a UK average of 1.4 per cent.

A report to this month's meeting of Harrogate borough council's economic development subcommittee reports a decline in agricultural employment in the Harrogate travel to work area, between 1981 and 1991, of 8.4 per cent, and in the Ripon TTWA 17.2 per cent. These figures however must be set in the context of an overall British drop of 21.8 per cent.

But, even though the decline in the Harrogate area is proving less sharp than nationally, research carried out for the borough council on the Harrogate economy in the year 2000 has suggested between 300 and 500 agricultural jobs will be lost in *the* 1990s, highlighting the need for new activity in the *countryside around the town.*

The western part of the Harrogate district is included in North Yorkshire county council's submission for European Community Objective 5b structural funds. Objective 5b status gives rural areas eligibility to EC grants for economic development.

North Yorkshire's bid has been passed by the UK government to the EC but it is competing against many other parts of Britain and Continental rural areas. A decision will be announced shortly.

The varied geography of the area around Harrogate makes for diversity in agriculture, from the upland hill farmers of the dales and the dairy farmers of the West Riding to the arable expanses east and south of the town.

In general, though, the current outlook for the area's farmers and landowners can be summarised by one word; *uncertainty*.

At present, Britain's departure from the Exchange Rate Mechanism has brought farmers a windfall since previously agreed European subsidy levels have been made more valuable. "They're doing reasonably well at the moment because of the devaluation of the pound," says Mr Gerry Passman, northern counties spokesman for the Country Landowners Association.

Uncertainty hovers over sugar beet, an important crop for many local farmers

There are some signs of farmers putting the benefits of this back into their businesses by investing in new *machinery*. But most see the enhanced value of subsidies as a temporary phenomenon. "It's not going to last," says Robert Sturdy, a potato and cereals farmer near Wetherby.

In the longer term, says regional National Farmers Union spokesman Robin Cradock, the prospect is of decline in Common Agricultural Policy *intervention prices as they are* brought into line with world prices. There is also uncertainty at present over the eventual terms of the GATT round and its impact on agriculture.

In the immediate future, hill farmers are concerned over the likely level of next year's Hill Livestock Compensatory Allowances, due to be announced on November 30. Britain's departure from the ERM has helped sheep farmers export much more of their production recently but, they argue, HLCA should be a compensation for the difficulty of farming in the hills, not a payment vulnerable to being pruned back. The shortfall of sheep quotas, which hampers new entrants to the sector, continues to be a bone of contention.

The dairy industry faces its biggest upheaval for 60 years with the abolition in April of the Milk Marketing Board and *its replacement* by *a voluntary* co-operative, Milk Marque.

Unusually, some West Riding farmers had not been locked into the MMB but instead have continued to sell their own milk directly to consumers. However, the entire dairy industry faces an upheaval when the MMB vanishes and constraints on milk sales are removed. Among the new groups emerging is Northern Milk Partnership, a Yorkshire-based initiative to supply milk to Northern Foods. The break-up of the MMB also affects Harrogate itself, as the town houses the Board's regional headquarters.

Unlike the MMB, the Potato Marketing Board looks set to survive; discussions on its future are being keenly watched by Yorkshire's potato growers. For a number of them, incidentally, October was not a good month since it brought frost which spoils frying quality. Further uncertainty hovers over sugar beet, an important crop for many local farmers who supply the British Sugar plant in York. They are anxious to see Britain's sugar beet quota at least maintained in next year's *EC review*.

For rural Yorkshire, the British government's controversial new proposals on farm tenancies, whereby landlord and tenant would negotiate tenancy length and conditions individually, are also of great importance. The NFU is strongly opposing the government's present plans for major deregulation of the agricultural holdings legislation; the union believes the tenancy system must be backed up by a legal framework and safeguards. The CLA however supports a freeing up of the tenancy regulations.

Setaside policy is another source of uncertainty; why, ask many farmers and landowners, can setaside land not be designated for a minimum of 20 years so it can be put to better use. "If the land isn't required to produce food, why isn't it used to grow trees?" asks Mr Passman.

The whole question of just what – and who – the countryside is for is an underlying concern in North and West Yorkshire, where the beauty of the rural areas, and their relative proximity to urban settlements, have attracted many well-heeled commuters and owners of second homes.

The CLA remains convinced that local authorities, despite their involvement in workspace provision and other rural economic development measures, are still insufficiently willing to give planning permission for some of the diversifications necessary to maintain employment and life in the villages.

Yorkshire provides award-winning examples of rural business enterprise such as the high-tec office complex created by Roger Tempest from the Home Farm at Broughton Hall, near Skipton, owned by his family for almost 400 years.

It also provides a diversification warning story, in the form of dairy farmer Brian Moore, whose booming ice cream business at his farm at Weeton, in Harrogate district, fell foul of the planners.

Mr Moore has since moved to Jervaulx, in Richmondshire, where he is again dairy farming and running a successful ice cream enterprise, employing 14 full and part time staff, as well as his family. His ice cream is sold from Northumberland to Wales and he had even opened an ice cream parlour at the farm.

But this is not – yet – a happy ending: he is still paying off the £150,000 legal bill from his unsuccessful planning battle.

Chris Tighe

Despite a lack of incentives, the district has shown it can attract inward investment

Local labour may give city its edge

HARROGATE has not previously tried to sell itself to inward investors. With full employment until spring of 1990, it did not need to. Inquiries were not turned away hnt were not deliberately solicited either. Policy was to be reactive, not proactive.

The district's circumstances have changed but adjustment may take some time. An attack of nimbyism, for example, has fed opposition to a small business workshops programme in Nidderdale, where a change of use was required for an old mill building.

Harrogate'e leaders also admit privately that the town has some disadvantages to overcome. The most obvious is a lack of grants for potential incomers, who are being wooed hy other areas with sometimes substantial incentives, but there is also a problem with transport links.

It is not that Harrogate is not well placed nationally – as a glance at the map shows. The A1, which is being upgraded to motorway standard, provides a good north-south link, but east-west roads are usually frustrating to drive along and traffic ie always heavy throughont the network of local roads hetween Harrogate, Bradford and Leeds.

Leeds-Bradford Airport, about 12 miles from Harrogate, is underdeveloped, and has to operate under night-flying restrictions which spark widespread local controversy – and more nimbyism when attempts are made to change them.

Getting to Manchester airport is awkward because of the local roads

Harrogate council supports extending the flying hours, along with business throughout the region. The argument is that a better array of scheduled services to the rest of Europe is needed to ensure Yorkshire and Humberside's long term economic development in partnership with other EC regions rather than just regional development in British national markets.

Getting to Manchester airport, which has all the necessary services to allow easy day trips to most European cities for those within reasonable distance, is awkward because of local roads. There is also a worry about rail links after privatisation of the railways.

Harrogate, therefore, presents an interesting contrast to many of its competitors for inward investment. They can usually offer grants and other incentives, as well as better transport infrastructure and communications, plus easier accessibility to important regional assets, such as Manchester airport.

Michael Walsh, Harrogate's chief executive (left) with Stuart Quin, economic development officer Picture: Mike Arron

So where is Harrogate's edge? The way in which the local economy is developing suggests it could well be the type and availability of local labour. Much of the national struggle for inward investment is abont attracting jobs for large numbers of, at best, semi-skilled men in areas of high unemployment.

This year Harrogate reached two important inward investment shortlists. It was knocked out by Chester in bidding for the MBNA America Bank, but National Westminster Bank awarded Harrogate the other prize – its expanding Switch card operations.

MBNA was the big one – a £43m project to establish a new affinity credit card lending operation employing 800 people. Cheshire was able to offer regional selective assistance from the government worth £7m, but Harrogate had no incentives to compete with. However, the Switch operation will bring 400 jobs. What Harrogate had to offer was instant availability of 42,500 sq ft of National Power's partly vacated offices at about £10 a sq ft.

Local labour supply was also of the right sort – adaptable and used to office work. Efforts are already being made to put the necessary training systems in place to deal with any mismatch between existing skills and those likely to be required hy inward investors.

Working jointly with North Yorkshire County Council and the areas training and enterprise council, Stuart Quin, Harrogate's economic development officer, reckons the town can move quickly to support any reskilling that may be necessary.

"The fact we have made two shortlists in financial services suggests we have a chance with other big projects. We have also been looked at seriously for two modern manufacturing relocations.

"Inquiries have gone up significantly in recent months," says Michael Walsh, Harrogate's chief executive.

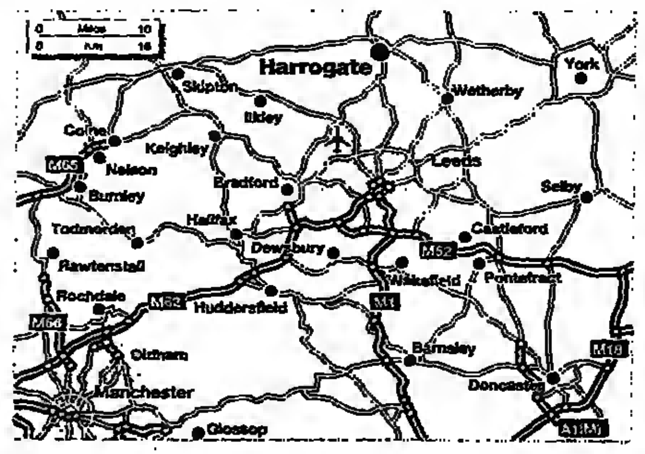
Harrogate now has four general target areas for inward investment:

- Modern manufacturing, such as electronics, precision engineering, electrical engineering. The leafy, clean local environment is of the type that appeals to such companies around the world.
- Finance and husiness services. Local growth during 1981-91 in this sector matched that of Leeds. (The reasons are examined in e separate article).
- Medical and health care. Harrogate already houses the headquarters of the regional health authority. It also has close ties with St James's Hospital in Leeds, Europe's largest teaching hospital. Hazleton Laboratories Europe – part of Corning – employs 600 people in Harrogate, carrying out research and testing for big drug companies. The company has planning consent for a 60 per cent increase in size.
- New small business. The area has already made a mark as a small firms economy. In the 1980s Harrogate had one of Britain's fastest growth rates in new company registrations and now has more than 3,000 small businesses, with an average payroll of four or five people each. Harrogate enterprise agency is recognised nationally as one of the best.

Recent movements into the area vindicate this strategy. One example is Coda, a computer software company specialising in mid-range accounting packages, which has brought in 120 jobs. Founded in 1979, the company moved from Leeds – where it was located in the city centre shopping area – to Harrogate in 1991.

Having grown to 300 employees in 20 offices worldwide, it wanted to establish a new corporate headquarters but needed to stay in the general area so it could retain its existing staff. Since many of them already lived north of Leeds, Harrogate looked obvious. Coda was able to buy land and build it own premises for about £3m.

Link Interchange Network – the hole-in-the-wall automated teller system for 32 financial institutions, mainly building



societies – relocated to Harrogate from London in 1991, to meet its requirement for room for further growth.

The management says there has been a shift in the company's culture since moving to Harrogate, where staff openly acknowledge their rewards and recognition should be based on the contributions they make. Staff "ownership" of the company's ambitions were felt essential to cope with constant change and growth.

The implication that staff were less well-motivated in London is borne out by very low staff turnover in Harrogate, a welcome change from the high figures common in metropolitan locations, such as London.

Another important factor is that North Yorkshire is a very attractive place to live, making key members of management and staff essential to a company's success and continuity much less reluctant to move.

John Webster, a partner in Cluttons, a firm of Leeds-based chartered surveyors which introduced NatWest to the National Power offices which Switch will occupy, is cautiously optimistic. He reckons more than 100,000 sq ft of commercial property has been let or sold in the last 12 months – despite depressed national markets – with plenty more in the pipeline.

The Inland Revenue will move into 11,000 sq ft of new offices when they are completed next year

Homeowners Friendly Society has started building a 35,000 sq ft headquarters for completion next year so it can hurst out of the 15,000 sq ft building it built only in the 1980s. The old building will then be for sale or let.

At Ripon, part of Harrogate district, the Inland Revenue will move into 11,000 eq ft of new offices when they are completed next year. The National Health Supplies divisinn has also chosen Harrogate for its east Pennines purchasing and supply unit.

British Fuels, Alhion – a clothing company – and Bradford & Bingley Society have this year all taken space at Gregory Properties' office development in Harrogate, leaving only two small units of about 2,500 sq ft each available.

A town centre development hy St Martins Property Corporation now housee Lovell Homes, which moved from Middleshrough, Crinc Wellman, a US waste management company which has picked it as its UK base, and Saffery Champness, the chartered accountants. Only two small units remain.

Other relocations include the Westcourt Group, a property company relocated from Darlington. An unnamed government department also has 6,000 sq ft of town centre space in legal process at present.

Harrogate will still face a shortfall of about 5,000 jobs hy the end of the century if it cannot replace those it has lost since 1990, but a lot seems to be happening in a place which has only been trying to market its wares to inward investors for a couple of years.

The lesson it suggests for others is that while reputation, image and the quality of life on offer are crucial elements in selling relocation, the nature of the available labour force may matter more than anything else, even if you have no incentives to offer.

Ian Hamilton Fazey

THE GOLDEN TRIANGLE

Wealth surprises outsiders

A cine to northern England's Golden Triangle, the area bounded by Harrogate, York and Wetherby, can be spotted in one of Harrogate's town centre car parks. A cursory glance immediately reveals a Mercedes, a Jaguar, a Porsche, various BMWs and a clutch of Range Rovers.

In the window display at Ogdens, the jewellers, a £12,600 ring glitters alongside dozens of four-figure items, and further along James St, a mannequin on the stairs of Hewlett's department store shows off the latest Louis Feraud autumn look: £1,207 for the suit, coat and hat.

Yorkshire people may have the reputation of being hard to part from their money. "They do say a Yorkshireman is a Scotsman stripped of his generosity," chuckles stockbroker Stephen Jackson, but in Harrogate the evidence points to a taste for the best that money can buy, and the money with which it buy it.

"Until you come here you don't realise how much wealth there is. It's extraordinarily wealthy," says Mr Keith Weston, one of two founding partners of the Harrogate office of accountants Saffery Champness. "North Yorkshire is wall-to- wall full of money," says Mr Jackson, senior partner at Cawood, Smithie & Co, Harrogate'e higgest stockhrokers.

This may surprise outsiders but, say Mr Weston and Mr Jackson, Yorkshire people tend not to talk about their wealth and they are careful about how they spend it – even if some mothers taking their children to school do look as if they had just stepped off a catwalk.

"Sometimes the trouble is trying to get them to spend. You'll get the lady with a £500,000 portfolio saying 'I'm going to cancel a particular subscription, it'e gone up,'" says Mr Jackson.

The growth of business for Saffery Champnees and Cawood, Smithie'a offices in the town is evidence of the private wealth which underpins the Harrogate area.

Cawood, Smithie & Co, founded in Harrogate in 1975, now employs 40 people. Two years ago, six new partners were appointed, bringing the total to 10.

Saffery Champness's office, opened in January 1992, had by April this year already achieved the highest hillings of all the firm'e eight regional offices. In its second year of operation, the office expects to record a 15 per cent to 20 per cent increase in billings over year one. That both firms have prospered in Harrogate is all the more significant given the town's proximity to the very large financial sector of Leeds.

Keith Weston: Yorkshire people tend not to talk about their wealth

Saffery Champness in Harrogate has pitched its activities at private clients, especially high net worth individuals. Its ideal client would be worth well in excess of £1m, and possibly much more.

The town and the surrounding agricultural area have traditionally been very prosperous

Several clients are self-made business people. Although Harrogate has the reputation as e residence for wealthy old ladies, the town and the surrounding area are also home for well-off people who commute to work in Leeds, Bradford and even Teesside.

A number of Saffery Champness clients own country estates, sometimes passed down through their family for centuries. Two of the seminars the firm has co-hosted in the past two years on the theme of protection of landed wealth were held at Bramham Park, home of George Lane Fox, whose family's presence in the West Riding dates back to Stuart times.

The key objective for such clients is wealth protection for the family. "We're looking at the next generation, and the generation beyond that," says Mr Weston.

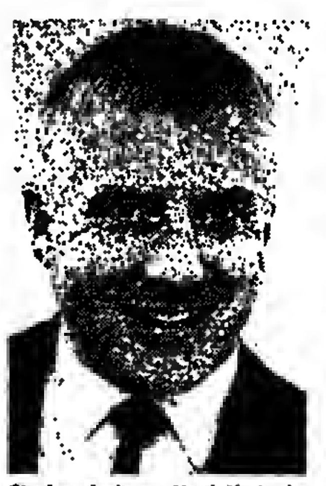
A similar philosophy underpins the work of Cawood, Smithie & Co. "We aren't in the husiness of taking risks for our clients; our purpose is risk minimisation rather than profit maximisation", says Mr Jackson.

Both men note their client hase's attachment to Yorkehire, and Yorkshire companies. "They're very proud of being Yorkshire," says Mr Weston. Thie allegiance, he acknowledges, helps sell the message that it is not necessary to look to London to find good financial advice.

Down et Harrogate council's offices, where the ornate municipal eilverware is displayed in cases in the main entrance hall, Mr Stuart Quin, economic development officer, acknowledges that the town and the surrounding agricultural area have traditionally been very prosperous.

For some, this still holds true, he says. Some business-people living in Nidderdale have applied successfully for planning permission for helicopter pads. But, says Mr Quin, Harrogate is suffering a slow erosion of jobs, including many white-collar posts, and this leaves no room for complacency.

Appropriately for a town with so many opportunities to spend money on high-class goods, some of the companies Harrogate has attracted in the past few years are finance-related. They include Coda Group, a financial accounting software company with 20 offices worldwide, a NatWest ewitchcard operations base and Link Interchange Network, which providee electronic switching services to its members, mainly banks and building societies.



Stephen Jackson: 'North Yorkshire is wall-to-wall full of money'

"Harrogate has the sort of quality feel we wanted," says a spokesman for Coda, which moved its headquarters from Leeds to Harrogate two years ago.

The Golden Triangle, according to estate agents Cluttons, lies between Skipton, York and Leeds. The Triangle's diamond centre is hounded hy Harrogate, Ilkley, Wetherhy and Leeds. The firm is unashamedly upmarket. It does not generally deal in domestic property worth less than £250,000.

Cluttons has a clientele of potential buyers looking for classic country houses in the Golden Triangle, at between £500,000 and £750,000. Some property values in the area are higher than in parts of the home counties, says residential partner Mr Tim Waring. "If you took a Queen Anne house in Oxfordshire and put it in the triangle it would sell for more."

The Triangle concept, first mooted a couple of years ago, has even received official recognition of a sort. It was mentioned recently in court during a property-related case.

It would he foolish, says Cluttons partner Mr Tony Pardoe, to say Yorkshire has been unaffected hy the recession. He helieves, however, it has proved in better shape to withstand it than southern areas, because of the testing time its industries had already gone through in the 1970s and 1980s.

The prohlems at Lloyds' of London, the insurance market have also meant some properties coming on to the market, he says. "But the wily old Yorkshireman has not been as heavily involved with Lloyds as his counterpart in the south."

In 1992, the average price per residential transaction at Cluttons' Harrogate office was £288,000, compared with £335,000 in 1991, although the transaction level dropped by less than 4 per cent. By the end of October this year, the 1992 sales total had already been surpassed.

In the last five years, says Mr Pardoe, the proportion of Golden Triangle huyers has switched from being two-to-one outsiders to insiders, to a two-to-one majority of Yorkshire people, looking to switch homes hut stay in the area.

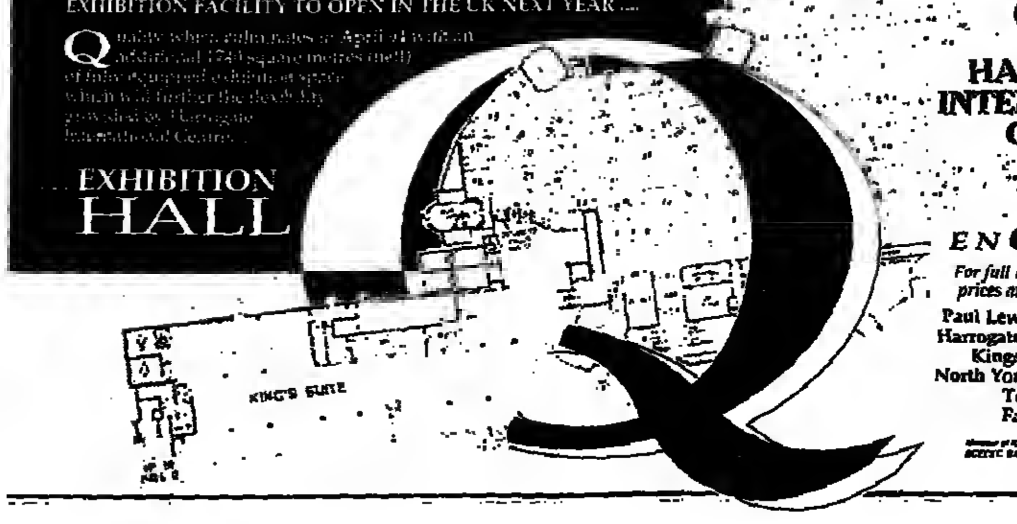
In such a close community, personal recommendation is very important for professional firms. "Credihility has to he maintained. The only way to maintain it is hy providing a very good professional service," says Mr Jackson. He lives in Harrogate and sometimes walks to work. "One morning this summer I met three clients and picked up some business on the way."

Mr Weston says the beauty of the town comes as a shock to first-time visitors

Mr Weston, who moved from Fulham to a barn conversion in Nidderdale when he moved north for the opening of Saffery Champness'e Harrogate office, says the beauty of the town and its surrounding area comes as a shock to first-time visitors.

This, he says, is England's best-kept secret. "You find me a southerner who has ever gone home."

Chris Tighe

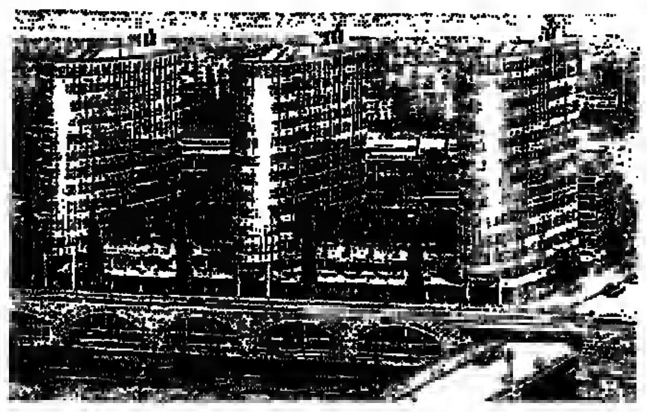


CONSTRUCTION

Kyle Stewart, Raulf and HBM have been awarded a DM91m (£36.9m) contract to build a large office and retail complex at Holsmarktstrasse in Berlin (right). The three companies are operating in Berlin as joint venture Arge Berlin (Arbeitsgemeinschaft Berlin).

Work involves three tower blocks rising to 13 storeys above ground level with a six-storey link building.

There will be 27,000 sq metres of offices and 4,000 sq metres of retail space on the ground and first floor levels.



Facelift for DoE in Oxford

GARDINER & THEOBALD MANAGEMENT SERVICES has been appointed as project manager for the planning and design of the £20m redevelopment of the Marston Road site in Oxford by the Department of the Environment.

The redevelopment of the 11.35 acre site, which houses the Inland Revenue, the Department of Social Security and six other government departments, involves the replacement of several post-war prefabricated buildings with 180,000 sq ft of new low-rise offices. Facilities will include a restaurant and conference suite.

Construction start is expected in autumn 1994.

When complete the site will be central to the rationalisation of all government accommodation in the Oxford area.

Kier London takes on health refit

KIER LONDON, part of the employee-owned Kier Group, has secured two health service contracts worth £2.9m.

At Lewisham Hospital, work has started on the £450,000 conversion of doctors' quarters to form an outpatients department and offices for Lewisham Hospital NHS Trust.

Kier is also converting a dental hospital at Camden to provide clinics, offices and ancillary accommodation for Bloomsbury and Islington Health Authority.

New homes order

SHEPHERD has won a £2m design and build contract for the construction of married quarters at Catterick garrison, North Yorkshire.

Forty-eight new houses are to be built, designed to meet MoD requirements.

Mowlem clinches £50m station deal

JOHN MOWLEM has won a £50m build contract from London Underground as part of the Jubilee Line extension.

The company will construct the surface section of the line from Canning Town to Stratford, new stations at Canning Town and West Ham and part of a new interchange station at Stratford.

Work also requires the demolition of a number of existing buildings on the site, culverting of a section of the Channelsea River, preparation of cable routes for signalling and power supply equipment, construction of track drainage, new retaining walls and acoustic barriers.

The Canning Town station will handle British Rail's North London Line, Docklands Light Railway and the Jubilee Line extension. The structure has to be built on a constricted site between the DLR and BR's North London Line, with 132 kva electricity cables for the national grid running overhead.

The DLR platforms will be above those for the Jubilee Lina and there will be an underground ticket hall giving access to all platforms. Mowlem is to build a new bus station with subway links to the station and a riverside walkway.

Consultants for the project are Kenchington Ford and Mason Pittendrigh. Work starts November for completion in summer 1997.

Laing heads for court

LAING NORTH WEST is to carry out construction works at the Manchester Crown Courts, Minshull Street.

The contract for £11m was awarded by the Lord Chancellors Department.

Laing will build a three-storey extension, roof plantrooms, basement, sub-basement and mezzanine basement floors. The extension will incorporate two new court rooms with provision for basement carparking and storage. There will be a reinforced concrete frame with structural steelwork forming the plantroom roof.

Also included is restoration work to the existing Grade II listed building to provide four additional courts.

Miller C E taps in to water work

North West Water contracts for £6m have been secured by Rugby-based Miller Civil Engineering.

Miller, part of the Miller Group, is to build a new waste water treatment works at Barrow-in-Furness for £4.5m.

The company is also to reconstruct the interior and refurbish the exterior of West Strand Pumping Station at Whitehaven in a £500,000 deal.

In a £1m deal at Harrington, Cumbria, Miller will create new sewers, a storm detention tank and pumping station. The work is part of a scheme to prevent untreated sewage being discharged into the sea.

Work begins on new Scottish Office HQ

TRAFALGAR HOUSE CONSTRUCTION has started work on its £33m management contract overseeing the construction and fitting out of a 350,000 sq ft office block – to become the new headquarters for the Scottish Office – in Leith, Scotland.

The four-storey building is being built for Victoria Quay at the water's edge at Victoria Quay in the Port of Leith.

Three Scottish Office departments are to occupy the building which has been specifically tailored to their requirements. The building will be divided into three units, each arranged around its own internal atrium. All of the units will be connected by a series of open courtyards and internal walkways.

The south facade will feature a two-storey colonnade running the full length of the building.

A public auditorium with raked seating will be located on the ground floor and conference rooms for 240 people will also be provided.

Other facilities will include a library/shop, reference and reading rooms, restaurant and coffee lounge.

There will be a 25m swimming pool in a glazed enclosure in the courtyard at the east end of the building.

New infrastructure to be built includes roads and bridges and 650 car spaces.

PEOPLE

Shell's md of UK exploration

Heinz Rothermund (right) is to take over as managing director of Shell UK Exploration and Production on January 1. He replaces Chris Fay, who has moved up to chairman and chief executive.

Rothermund, a Swiss citizen and an engineering graduate of the Swiss Federal Institute of Technology, first came to the UK in 1976, serving a stint as offshore installation manager on the Brent "B" platform. He later assumed a senior offshore design post and became project manager for the Tern field, before moving on in 1982 to Shell's operations in Nigeria.

Those were the "glory days" of the North Sea, he said yesterday from his office in Hanover, where he is chief executive of BEB Erdgas und Erdoel, an oil and gas joint venture between Shell and Esso.

Recent developments in the German gas market "are not comparable" to events taking place in the UK, he concedes, but the future of the British gas industry will figure heavily in his new job overseeing the UK largest offshore operator, accounting for about a third of national oil and gas production. "I will be extremely curious to see how the UK gas market develops."

Rothermund does not expect to face radically different challenges in exploration and development. But he admits that the task of finding and developing oil in the deep water to the west of Shetland will press offshore technology to its limits.

Rothermund hopes he will find some changes in social circumstances. When he last lived in the country "I was always finding myself defending Britain at parties" against a wave of disparaging remarks from tha British themselves. "In those days I was very surprised to see them run down their country so much. It has so much to offer."

■ Peter McGuigan, chief executive of Speedo who also has responsibility for Berghaus, has been appointed to the main board of PENTLAND with worldwide responsibility for the branded sporting goods businesses.

■ David Parker, md of Greggs of Gosforth, has been appointed group retail operations director on the main board of GREGGS.

■ Tony Hayter, a director of the British Society of Plant Breeders and a member of the Council of the National Institute of Agricultural Botany, has been appointed md of ZENECA SEEDS UK on the retirement of Peter Konig. Hayter became plant breeding and research manager of ICI Seeds UK on its creation in 1987.

■ Steve Dulieu, formerly manager of employee affairs, FORD of Britain, has been appointed director of employee relations at Ford Credit Europe.

■ Paul Holt has been promoted to personnel and pr director of BICC CABLES; and Herb Powell has been appointed to the board.

■ Allan Smith is retiring from the board of Babcock International a year after the official retirement age of 60.

He will stay on at Babcock Thorn, which runs the warship builder Rosyth Royal Dockyard, but moves from managing director to executive chairman.

Smith, who joined Babcock 38 years ago as a graduate trainee, intends to retire as chairman when the government decides whether Babcock will continue to run the yard after the current contract with the MoD expires in 1995.

Morrison and Davies get "divorced"

David Morrison, Goldman Sachs' London-based international currency expert, has taken a leaf out of the book of Michael Jordan, the US basketball star who has just announced that he is quitting at the peak of his career. Still only 41, Morrison is giving up one of the best-paid economic jobs in the City by resigning as a general partner of Goldman Sachs.

Gavyn Davies, 42, Morrison's long-standing partner, describes Morrison's decision to retire as "like a divorce". The two of them have worked together for more than a decade; they started as economists at stockbrokers Phillips and Drew in the late 1970s, moved to Simon & Coates in 1981 and then to Goldman Sachs in 1986. Two years later they were both made general partners of the US investment bank, confirming their position as two of the most respected economists in the City of London.

Morrison, who will be a limited partner of Goldman and will retain an office there, had begun to tire of the pressures involved in working for a high-powered US investment bank – the constant travelling and the need to make speeches all the time.

"Maybe there are fresh challenges out there," says Morrison, who has not ruled out re-emerging in the financial markets at some stage. But for the moment he intends to spend more time with a family which is growing up rapidly, indulge his passion for motor sport and devote more effort to helping handicapped children.

Morrison's departure at the end of this month means that Gavyn Davies will become head of European investment research and chief international economist. Jeremy Hale will take responsibility for the firm's foreign exchange forecasts.

BZW hires Bruce from J.P. Morgan

BZW is overhauling its internal risk control mechanisms by bringing in an extra layer of management with the hiring of Andrew Bruce, 44, currently the member of J.P. Morgan's European management group responsible for credit risk throughout Europe. He will join Barclay's investment banking operation from the beginning of next year.

David Band, BZW chief executive, says that the two institutions he most respects for their credit risk management skills are his own former stable, J.P. Morgan, and GE Capital. Band has just brought Patrick O'Sullivan from the latter into the new post of head of bank finance, following a transfer of control of large corporate lending from the bank to BZW.

Band was chairman of J.P. Morgan Securities in 1987 and 1988 when Bruce was head of credit and counterparty risk there. He says that when he was at Morgan, its officials in turn looked up to GE Capital in the risk analysis department.

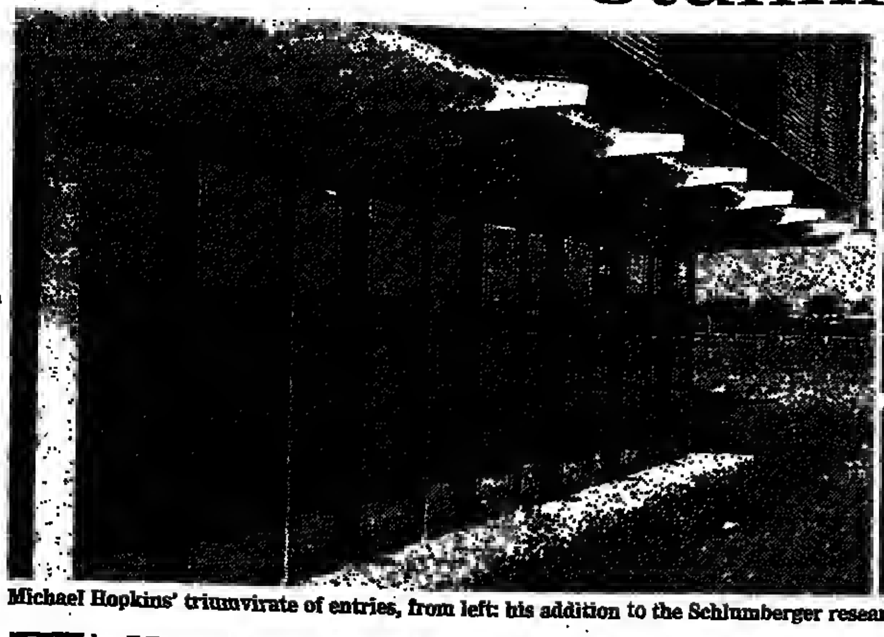
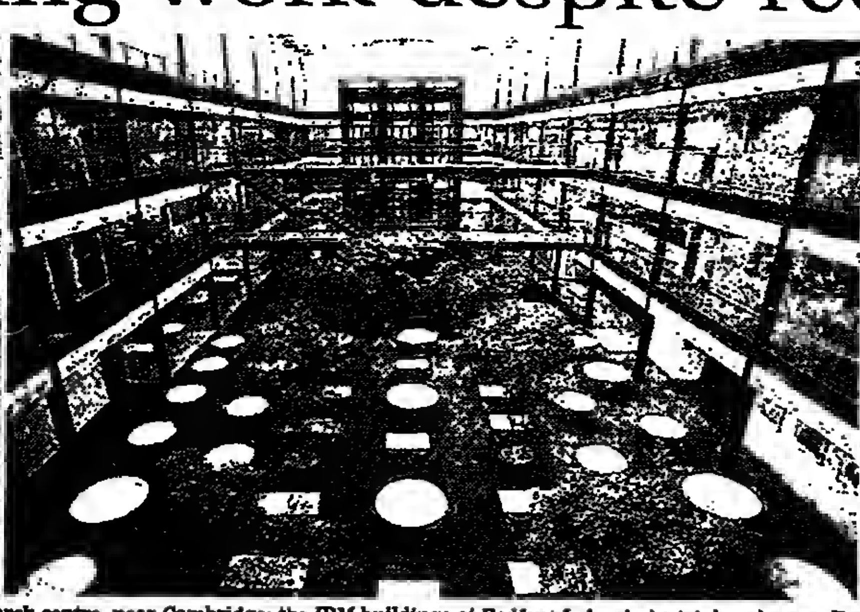
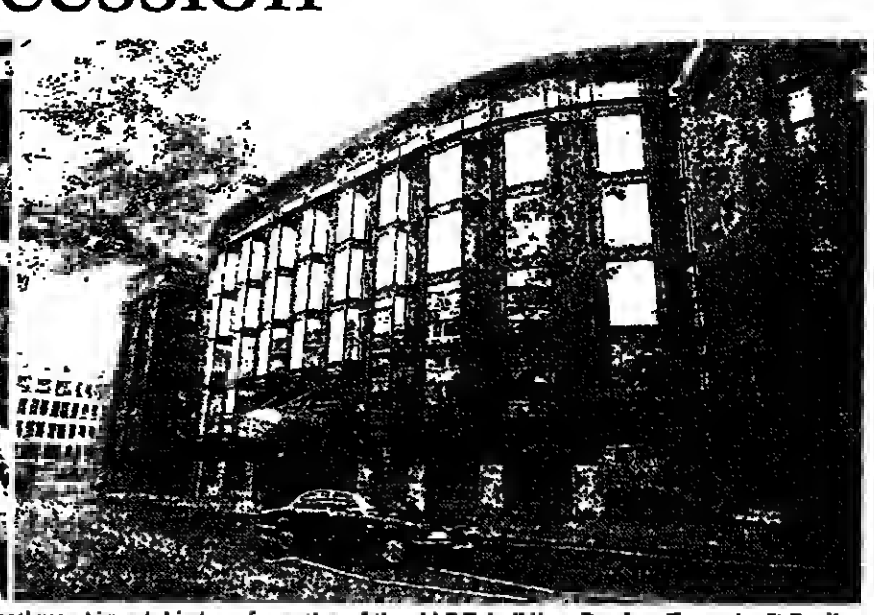
Financial institutions have become increasingly aware of the elements of credit, as opposed to market, risk in growing areas such as swaps and derivatives. Previously, BZW's credit risk exposure had been the responsibility of Peter Bingham, chief credit officer, who reported to chief financial officer Oliver Stocken. When Stocken moved up to become group finance director, Bingham reported to Lord Camoys as an interim measure, but Camoys retires next April. Now Bingham will work for Bruce, who in turn will report directly to Band.

■ John Harrison, formerly charities director at Lazard Investors, has been appointed director in charge of the charity marketing division of FLEMING INVESTMENT MANAGEMENT.

■ Nigel Coupland has been appointed a director of TULLETT & TOKYO Forex (London); Peter Leccacorvi a director of Tullett & Tokyo (Foreign Exchange) Co; and Nicholas Brown a director of Tullett & Tokyo (Money Markets) Co. John Lawrence and John Nixon have been appointed directors of Tullett & Tokyo Forex International.

F.T. Architecture Award/**Colin Amery**

Stunning work despite recession

Michael Hopkins' triumvirate of entries, from left: his addition to the Schlumberger research centre, near Cambridge; the IBM buildings at Bedfont Lakes industrial park, near Heathrow Airport; his transformation of the old F.T. building, Bracken House, by St Paul's

The F.T. Architecture Award has had a particularly splendid year. There was a record number of entries – 154 – and the quality was extremely high. The Award will be presented at a luncheon in London when Sir Simon Hornby, the official lay member of the Financial Times Architectural Award jury, and himself a considerable patron of new buildings as chairman of W.H. Smith, will be the main speaker. As the new chairman of the Royal Horticultural Society and a former chairman of the Design Council, he is well qualified to consider the whole question of architecture and business.

What emerged clearly from the travels of the jury – and it is an important feature of the F.T. award that the jury visits all the short listed buildings – is that the very best British architects have produced some stunning recent work, the recession notwithstanding. One of the following has won this year's coveted F.T. Architecture Award, but in the true spirit of competition the winning building and architect will not be named until the luncheon.

The shortlist begins with an excellent small building by Sir Norman Foster. His new library for the Cranfield management school is an elegant, classically proportioned small temple of learning, the more impressive since it was achieved on the relatively low budget allocated.

Norman Foster and Partners' much grander and deceptively simple new airport at Stansted is also on the short list. Many think it the most beautiful new airport in the world and certainly the level clarity of the design is quite brilliant. I have always been particularly impressed by the way it sits in the landscape, but perhaps the most beautiful feature is the ingenious system of natural lighting. Structurally it has a rare purity.

The Queen's Stand at Epsom by Richard Horden is a very unusual type of building which has brought out the best from this practice. An extremely enjoyable place to visit, it proves that contemporary places of pleasure do not have to be sterile or concrete. It has the elegance of a modern yacht.

Michael Hopkins has a triumvirate of buildings in this year's short list. Just outside Cambridge he has added to the Schlumberger research centre (an earlier F.T. winner). These simple wings on each side of a modest atrium are very controlled and restrained. What is particularly exciting here is Hopkins's adventure in "gothic" with his geometric concrete laboratory ceilings.

Anyone associated with the F.T. has a soft spot for its old home, Bracken House by St Paul's cathedral, which was sold to a Japanese company and turned into a bank. The original building was put up in the 1950s to designs by Sir Albert Richardson. The fine quality of the design, workmanship and materials led to its being listed. Hopkins had a difficult task convert a former newspaper offices and printing works into a bank. Retaining the north and south blocks as bookends, he has inserted a brilliantly designed new central block with all the muscle and strength of the original without a hint of imitation.

Out near Heathrow Airport are the business parks. Stockley Park is the most outstanding but a more recent one, Bedfont Lakes, is fascinating, if a little schizophrenic. Two architects designed the two main ranges of office buildings and the results are like chalk and cheese. Ted Cullinan built large, vernacularesque blocks while Michael Hopkins followed a more orthodox, almost Miesian line, in his buildings for IBM. These are solemn and austere, with all the attention to detail that one has come to expect both from the Hopkins and IBM, which is probably the most serious business patron of design and architecture in the world.

The two remaining entries on the short list are quite unlike each other and quite unlike the rest of the list. The local authority offices in Winchester by Colin Stansfield Smith are a serious attempt to be modern in an old context. In roof line and at street level the shapes and materials are contextual, but in between it is a braver new world with large areas of glass.

In Chichester is the final building on this year's short list – a remarkable multistorey car park by architects Birds Portchmouth and Russum. This is a controversial addition to a historic town which tackles the problems of car parking head on and with considerable style.

The decision on the winner will be a hard one to make.

The result will be announced at the luncheon on Monday 29 November, at the BAFTA Centre, 195, Piccadilly, London, W.1. and this year it would be a pleasure to see some of our F.T. readers. Ten places will be available and readers should apply for their invitation to Mrs Vicki Harvey-Piper, The Financial Times, Number One Southwark Bridge, London, SE1 9HL. Places will be given to the first ten applicants received in the post.

Theatre/**Malcolm Rutherford**

Relative Values

Susan Hampshire (left) and Sara Crowe

Noel Coward's *Relative Values* was first performed in Newcastle upon Tyne in October 1951, then moved to the Savoy Theatre in London where it had a run of 477 performances. Gladys Cooper and Angela Baddeley were among the stars. The play suggested that Coward could still shine in the postwar world, though in retrospect it was his last great piece.

The date seems slightly odd, for the the programme note for the revival, also at the Savoy, states that the action takes place at Marshwood House in Kent in July 1952. Never mind the apparent discrepancy. The Savoy has changed as well. Having being severely damaged by fire in 1990, it has been reconstructed in the hope of restoring old splendours.

The theatre remains confusingly subterranean, and at first sight seems cold and metallic, at least when the houselights are up. When the houselights are down, however, such reservations diminish. The Savoy has a wonderfully capacious stage and now has the most comfortable seats in London.

It takes a good 20 minutes to realise what a good Coward play *Relative Values* is. It has a slow start in any case and Susan Hampshire in the star role of Felicity, Countess of Marshwood seems to need time to warm up. By half way through she looks a natural for one of the best female parts that Coward ever wrote. She is imperious, she is charming, she knows her place (and everyone else's) in society.

The piece is a joyous, sentimental fling at socialism. It's a social experiment, says the man-servant Crestwell, to show that not only is everyone equal in the eyes of God, we are all equally equal in the eyes of our fellow creatures. Coward the playwright comes in, too: "Comedies of manners," somebody says, "soon became obsolete when there were no longer any manners."

Here is the old classless society where the lady of the manor gets on very well with the servants, and they with each other, provided there aren't too many intruders. There is an excellent plot which shows what can happen when people get above their station, and some lovely contrasting of the style of Hollywood movies and London's West End. But there is no bitterness: the admiration for Hollywood at its best is unconcealed, from the Countess of Marshwood down to the humblest servant.

There is also some interesting social comment. "How did you vote in the last general election?" someone asks. It must have been the one that returned the Tories to power without, in Evelyn Waugh's phrase, putting the clock back by even five minutes. The old British Railways seems to have been at least as erratic in its timetabling as its successor today. And even in the early 1950s trouble was brewing in the Church of England.

Ms Hampshire is not the only star. Almost no West End production of Coward nowadays is complete without young Sara Crowe. She appears here as the Hollywood star concealing her modest birth in Sidcup by claiming that she was brought up in even direr circumstances in Brixton. Ever since she emerged alongside Joan Collins in *Private Lives*, she has had to compete with older women. It is good to see the old guard still giving as good as it gets. Ms Crowe's performance is at least matched by Alison Fiske as her elder sister who has stayed at home in Kent. And there is a splendid bit-part played by Margaret Courtenay as the plumpish, elderly Lady Hayling.

Direction is by Tim Luscombe, with an attractive set designed by Rob Howell: note its depth, and the colours.

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Meanwhile, for late night theatre addicts, there are two more performances of Franz Kafka's *A Report to an Academy* at the Royal Court at 10.30 pm next Friday and Saturday. The stage version is adapted and played by Henry Goodman as the ape who gives the report. None of the lucid, bitter quality of the writing is lost, and you will be amazed by how ape-like as well as professorial Goodman is.

A Sondheim straitjacket

Watching *The Ten Commandments*, a musical written by a committee and which has just been performed at the Place, is as grim an experience as I have undergone in a long age. But pity the poor folk involved! *They* had to write and rehearse it. The fact that it is a bad show is not in itself important, since trashy musicals are common phenomena. What is sad, indeed alarming, about *The Ten Commandments* is that it is the product of an entire school of aspiring songwriters who mean to advance the musical.

The name of this collective is the Mercury Workshop, which was formed in April 1992 as a spin-off from Stephen Sondheim's masterclasses in Oxford. I saw the workshop's first show, *The Challenge*, in July 1992; and, though that show had some glimmerings of talent, I am now wholly persuaded that Oxford's idea of getting Sondheim to teach those masterclasses was the worst thing that could have happened to British musical theatre. These young-ish writers now seem to have wholly subordinated themselves to Sondheim style; they have learnt everything from Sondheim except his talent.

They have, in fact, learnt the Ten Commandments of Sondheim musical theatre. Namely: 1. Thou shalt have no other gods before Saint Stephen. 2. Thou shalt be clever. 3. Thou shalt be cynical. 4. Thou shalt not be original. 5. Thou shalt give each line of verse as few syllables as possible. 6. Thou shalt rhyme, rhyme, rhyme. 7. Thou shalt give equal stress to most syllables, then undue stress to the last syllable of each line. 8. Thou shalt make music less vital than words. 9. Thou shalt eschew jazz, swing, and rock from thy music. 10. Thou shalt cultivate a truly wearisome mixture of patter, vaudeville, and ballroom musical ingredients.

A possible Eleventh Commandment (though it is one that Saint Sondheim has broken on occasion) is: Thou shalt choose as unlikely a subject for musical as the brain of man might conceive. In *The Challenge* the Mercury Workshop set itself the task of telling the tale of Daedalus, the Minotaur and Icarus. For *The Ten Commandments*, each of the Biblical commandments is assigned to a separate decade of the 20th century; and each commandment is viewed as cynically as possible. Thus, "Thou shalt not kill" is illustrated in Africa in 1907, when a ritual self-sacrifice is stopped by Christian teaching with unhappy effect; "Thou Shalt not Commit Adultery" is seen in the 1960s, with contreception and adultery adding up to lovelessness.

All is cynical, gloomy, clever; and the evening made me wish to heaven that rhyme had never been invented. The 1960s number (lyrics by Stephen Clark) finds so many lines to rhyme with "bed", and seems so pleased with them, that I was amazed when finally it moved on to use another rhyming word. In the Ninth Commandment, Warren Wills's music showed some signs of originality, and Adèle Anderson's lyrics some refreshing independence from rhymestering – though not for long.

What is most depressing is that these composers and lyricists seem to have learnt nothing from the larger world of Gershwin, Rodgers and Hart, Berlin, Porter – the true masters of the idiom in this century. None of the composers seem to have thought about setting expansively lyrical music to words that are cynical – as, for example, Rodgers does to Hart's "Falling in love with love" (or Sullivan to Gilbert's "Hearts do not break"). These people write songs as if the last thing they wanted was for an audience to come out humming them; and their lyricists write words as if the last thing an audience might need was a good time.

Alastair Macaulay

City of London Sinfonia

Saturday's Queen Elizabeth Hall concert by the City of London Sinfonia made up a retrospective of music by three popular contemporary composers, Arvo Pärt, John Tavener and Alfred Schnittke. It was a long evening by any standards, doubly so because of the static nature of most of the music.

Pärt and Tavener have been dubbed, uncharitably but not inaccurately, "holy minimalists", which reflects the musical and spiritual inspiration each derives from Orthodox Christianity. Their minimalism is not of the Steve Raich "tape-loop" brand, rather it is based on rich, slowly-shifting sonorities that suggest religious fervour.

Pärt's short, serene *Cantus in memoriam Benjamin Britten*, which opened the programme, explores a single idea and succeeds on its own mystic terms, though these are limited. His 30-minute *Tabula Rasa* (composed, like the *Cantus*, in 1977) is another matter: a clean slate only in its emptiness, it essays some titillating effects at length – modern music for people who think they don't like modern music.

Tavener's music is equally unchallenging. While it is hard to doubt the sincerity of the composer's inspiration, the appearance of more cello music so soon after the great commercial success of his *Protecting Veil* raises a question.

Ironically, it was in the work of the maverick Schnittke that music of substance was reached, his *Concerto Grosso No. 1* seeming like an oasis of dissonance. The concert ended with Schnittke's jokey *Moz-Art à la Haydn*. Like all the pieces in the programme, it requires a steady, metronomic conductor, and found one in Richard Hickox.

John Allison

INTERNATIONAL ARTS GUIDE

BERLIN

CONCERTS

Philharmonie Tonight: John Lubbock conducts Orchestra of St John's Smith Square in works by Sibelius, Saint-Saens and Beethoven, with piano soloist André Watts. Tomorrow, Wed, Thurs: Claudio Abbado conducts Berlin Philharmonic Orchestra in Dvorak and Beethoven, with piano soloist Murray Perahia (first in a cycle of Beethovan piano concerto programmes, continuing on Dec 3, 4, 5, 8, 9 and 10). Saturday evening, Sunday morning: Vladimir Ashkenazy conducts Berlin Radio Symphony Orchestra in Schumann, Silvestrov and Stravinsky, with violin soloist Gidon Kremer. Sunday evening: Maurizio Pollini plays Beethoven piano sonatas. November 27, 28: Abbado conducts concert performances of Boris Godunov (2548 8132)

Schauspielhaus Sat, Sun: Achim Zimmermann conducts Berlin Symphony Orchestra and Chorus in Dvorak's Requiem, with Czech soloists (2090 2156)

OPERA/DANCE

Deutsche Oper Tomorrow: Don Giovanni with Wolfgang Brendel, Laurence Dale and Eva Johansson. Wed: Tannhäuser with René Kollo, Hakan Hagegard and Matti Salminen. Thurs and Sun: Gluck's Orfeo. Fri, Sat: Peter Schaufuss' productions of Nutcracker and Swan Lake (341 0249)

Staatsoper unter den Linden Wed at 17.00: Busoni chamber music programme with Daniel Barenboim, Dietrich Fischer-Dieskau and Peter Schreier. Wed at 19.30: Barenboim conducts revival of Nicholas Brieger's production of Busoni's Die Brautwahl (repeated Nov 21, 28). Thurs and Sat: Aida with Luana deVol and Lando Bartolini. Nov 27: gala concert with Domingo (200 4762/2035 4494)

Komische Oper This month's repertory includes Harry Kupfer productions of Don Giovanni, Giulio Cesare and Rimsky-Korsakov's Tsar Saltan, plus a new ballet by Arila Siegert, Circe und Odysseus, to music by Gerald Humel (229 2555)

NEW YORK

THEATRE

- Angels in America: Perestroika, the second half of Tony Kushner's epic contemporary drama, is in previews prior to opening on Thurs. In repertory with part one, Millenium Approaches (Walter Kerr, 219 West 48th St, 239 6200)
- Abe Lincoln in Illinois: Robert E. Sherwood's 1939 Pulitzer Prize-winning drama about Lincoln's life in the years running up to his presidency. Directed by Gerald Gutierrez. In previews (Vivian Beaumont, Lincoln Center, 239 6200)
- Timon of Athens: Shakespeare's rarely performed late play is updated to the jazz age in this National Actors Theatre production directed by Michael Langham. Till Dec 5 (Lyceum, 149 West 45th St, 239 6280)
- The Red Shoes: a new musical based on the 1947 film by Michael Powell about a choreographer and a young ballerina torn between her passion to dance for him and her love for the composer of The Red Shoes. Music by Jule Styne, book by Marsha Norman, lyrics by Norman and Paul Stryker, choreography by Lar Lubovitch. In previews (Gershwin, 51st St, west of Broadway, 307 4100)
- She Loves Me: the 1963 Bock, Harnick and Masteroff musical directed by Scott Ellis – a delicate, unabashedly simple story with all the humanity, integrity and charm that Broadway's glitz-laden mega-musicals lack (Brooks Atkinson, 256 West 47th St, 307 4100)
- Mixed Emotions: a romantic comedy by Richard Baer about love the second time round – between a mature widower and widow, played by Harold Gould and Katherina Helmond (Golden, 252 West 45th St, 239 6200)
- Come Down Burning: a drama by Kia Corthron about the problems faced by three black women and their children in rural America (American Place, 111 West 46th St, 840 3074)
- Later Life: A.R. Gurney's comedy, man and woman meet after 30-year separation (Westside, 407 West 43rd St, 307 4100)
- How to Write a Play: a loosely autobiographical farce by Charles Ludlam, about a man who must either write a play or lose the grant money given to his theatre (Ridiculous Theatrical Company, One Sheridan Square, at West 4th St and Seventh Ave, 691 2271)
- Oleanna: David Mamet's drama about sexual harassment and political correctness on the university campus (Orpheum, 126 Second Ave, between 7th and 8th Streets, 307 4100)

OPERA/DANCE

Metropolitan Opera A new production of Rusalka, staged by Otto Schenk and conducted by John Fiore, can be seen tonight and Thurs. This week's programme also includes Die Zauberflöte, La boheme and Madama Butterfly (362 6000)

State Theater New York City Opera winds up its season with the Rodgers and Hammerstein musical Cinderella, daily till Sun. New York City Ballet opens new season on Nov 23 with a gala on theme of Broadway and Hollywood (870 5570)

Joyce Theater Garth Fagan Dance is in residence for the next two weeks, starting tomorrow (242 0800)

CONCERTS

Avery Fisher Hall Tonight: Richard Bradshaw conducts Juilliard Symphony Orchestra in works by Purcell, Bernstein and Mahler. Tomorrow: Carl St Clair conducts New York Philharmonic in Mozart, Schumann, Ginastera and Ravel, with piano soloist Vladimir Feltsman. Thurs, Fri, Sat, next Tues: Charles Dutoit conducts NYPO in Strauss, Martinu and Ravel. Sun afternoon: Nicholas McGegan conducts Philharmonia Baroque in Bach, Vivaldi and Telemann (875 5030)

Carnegie Hall Wed: Alexander Lazarev conducts Bolshoi Symphony Orchestra in works by Tchaikovsky and Shostakovich, with soprano soloist Maria Gavrilova. Thurs: Celebration of American Song and Sonwriters, with Carnegie Hall Jazz Band conducted by Jon Faddis. Fri: Kazimierz Kord conducts Warsaw Philharmonic Orchestra in Panufnik, Rakhmaninov and Prokofiev, with piano soloist Ruth Laredo (247 7800)

PARIS

OPERA

Bob Wilson's new staging of Madama Butterfly opens at Opéra Bastille on Wed, with 12 further performances till Dec 10. Myung-Whun Chung conducts a cast led by Diana Soviero, Viacheslav Polozov and William Stone (4473 1300). A new production of Lully's Roland (1685), with José van Dam in the title role, opens at Théâtre des Champs-Elysées on Nov 26 (4952 5050)

DANCE

Belgian experimental choreographer Anne Teresa de Meersmaeker brings her Rosas dance troupe to Palais Garnier on Wed, Thurs, Fri and Sat. The programme, conducted by Philippe Herreweghe, is entitled Mozart Concert Arias (4742 5371). Jan Fabre presents his latest dance work at Théâtre de la Ville, daily from tomorrow till Sat. Next week: Catherine Diverrès (4274 2277). Dominique Bagouet and company are in residence at Centre Pompidou this week, except tomorrow (4478 1315)

CONCERTS

Garcia Navarro conducts Orchestre National de France at Salle Pleyel on Fri in works by Richard Strauss, Falla and Turina (4561 0630). Marek Janowski conducts Orchestre Philharmonique de Radio France in a Henze programme at Maison de Radio France on Sat, with soprano Inga Nielsen and cellist Heinrich Schiff (4230 1516). Alfred Brendel plays Beethoven piano sonatas at Salle Pleyel next Mon (4561 0630). Yuri Bashmet and the Moscow Soloists give concerts at Théâtre de la Ville on Nov 26 and 27 (4274 2277)

JAZZ/CABARET

Five Blind Boys of Alabama are in residence this week and next at Lionel Hampton Jazz Club (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

THEATRE

Jean-Pierre Vincent's new production of Büchner's Woyzeck runs daily except Mon till Dec 30 at Le Rond-Point Théâtre Renauld-Barrault (4495 9800). Peter Sellars' English-language version of Aeschylus' The Persians, first seen at this year's Salzburg and Edinburgh Festivals, can be seen daily except Mon till Nov 28 at Bobigny (4831 1145). Peter Brook's L'Homme qui, based on Oliver Sacks' The man who thought his wife was a hat, is back at the Bouffes du Nord after an extensive European tour (4607 3450)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Saturday Super Channel: Financial Times Reports 0930
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Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Rising tide of despair

James Buxton looks at the crisis hitting salmon farms

Salmon farmers along the sea lochs of the west coast of Scotland are near to despair. In the past six weeks the price they have been getting for their fish has fallen by 45 per cent, dropping well below their break-even point.

The price has collapsed because of a big increase in the quantity of Norwegian salmon on the European market, already dampened by recession. The concern of the Scottish farmers is intensifying because the UK government has not responded to their demands to ask the European Union to impose emergency protection measures on the salmon market.

"It's absolutely appalling," says Mr David Windmill, managing director of McConnell Salmon, which operates in the Western Isles. "We've been through hell over the past three years. Now we're being hit once again by a much bigger salmon producer which can't control its own industry."

The crisis in the salmon farming industry is more than just an issue for Scotland, where the industry employs 6,000 people. As well as affecting Ireland, another salmon producer, it is an important issue to be resolved before Norway can join the EU because of its past record of over-production.

There have already been some signs that British consumers are benefiting from lower prices for salmon. In recent weeks Safeway and Sainsbury, the retail superstores, have cut salmon prices, and prices in the highly competitive smoked salmon market are likely to pared down for the peak Christmas season.

The introduction of salmon farming in Norway and later in Scotland in the 1980s made the king of fish more widely available and much cheaper because of vastly increased output. Last year Norway produced 141,000 tonnes compared with Scotland's 36,000 tonnes and Ireland's 9,000 tonnes. But Norway's dominant position has been a constant source of problems for other producers, and itself.

The issue came to head in November 1991, after a glut of Norwegian salmon pushed down prices just as it is doing now. The EU temporarily imposed a minimum import price on salmon from Norway to protect its own growers, and insisted the country put its house in order.

The Norwegian government responded by advancing money to the banks to fund a scheme to buy in and freeze excess fish then sell it outside the Union. The Norwegian Fish Sales Organisation, which sold all Norwegian salmon and exercised some control over the industry, went bankrupt because it had become overextended trying to support a guaranteed minimum price. It took many farmers with it, put further strain on the already extended banks and forced the government to refinance them.

These moves, plus other measures to hold back Norwegian production, sent prices up again in 1992. In Scotland, surviving farms made themselves more efficient and returned to profit. At the annual Scottish fish farm conference last February the Norwegians warned that if European salmon producers did not combine to rationalise production there would be a crisis by 1996.

Norway's dominance has been a constant source of problems

So it came as a shock when in late September the Norwegians indicated that instead of the 120,000 tonnes of fish they bad predicted for 1993 they were on course to produce 180,000 tonnes, rising to 220,000 tonnes in 1994.

This year, like competitors elsewhere Norwegian salmon producers have benefited from breakthroughs in dealing with the threats of infestation by sea lice and the disease furunculosis. The rate of losses among fish in cages on some Scottish salmon farms has fallen from about 30 per cent to 5 per cent.

But fish farmers in Scotland believe some Norwegians have put more smolts (young fish) into cages for growing into salmon than they had admitted. "Since the bankruptcy of the Fish Sales Organisation in 1991 the Norwegian industry has been a free-for-all," says Mr Frank Odie of Framgord, a salmon wholesaler in Shetland.

Prices started falling as more Norwegian fish came onto the European market from September onwards. The average price dropped from £1.74 a pound that month to £1.44 in October. It is now about £1 a pound. This spells disaster for Scottish salmon farmers whose break-even point is about £1.30 a pound.

Scottish salmon farmers responded by asking the UK government to seek emergency EU action against Norway. This would entail either setting a limit on the tonnage of fish that can be imported from Norway, or reimposing a minimum import price.

The Scottish Salmon Growers Association justifies this request on the grounds that Norwegian producers are selling salmon at below cost prices on the EU market. The association also says that the Norwegian government unfairly subsidised its salmon industry through the 1991 bank bail-out.

"The Norwegian salmon industry lost £300m in 1990-92," says Mr William Crowe, the SSGA's chief executive. "Of that about £160m was absorbed by the government."

In spite of promises of imminent action from some ministers, the UK government has not moved, apparently because Treasury ministers oppose the kind of trade protection the farmers want. The UK failed to support an application last week by Ireland for emergency EU action.

Norway has reacted to the threat of EU action and also fears another glut. Most farmers have cut down on fish feeding to reduce weight gain.

The Norwegian fish farmers' federation has asked the government to limit the number of fish that can be harvested, though many observers think this solution is impractical as it would be difficult to police.

Meanwhile Norway still hopes to join the EU within the decade. Mr Donald MacRae of TSB Bank Scotland believes the EU should make it a membership condition that Norway regulates its salmon industry and stops subsidising it.

"If Norway were a member of the EU it would become subject to EU competition laws. If I were Norway I would be building up my salmon production as fast as possible before entry," he said. The Scottish salmon farmers believe that is exactly what it happening.

Raymond Snoddy examines the corporate battle to operate the UK's first national lottery

Runners under starter's orders

The Dublin taxi driver had no doubt about the best things that bad happened in Ireland in the past 10 years. "The visit of the Pope and the national lottery," he declared with great conviction.

The Irish lottery launched in 1987 has, by any standards, been a considerable success. Nearly 60 per cent of Irish adults play once a week, spending an average of just over IR£3 and producing revenues last year of more than IR£252m from a population of 3.5m.

"It has entered the rhythm of Irish life," said Mr Ray Bates, the lottery director. At 8pm on Wednesday and Saturday evenings, when the big draws are broadcast live, three-quarters of Irish homes tune in.

The corporate runners and riders now beginning to line up for the great National Lottery stakes in the UK hope that this success can be replicated, though on a grander scale. "The televised draw will get a bigger audience than *Coronation Street* [one of the most popular shows on British television]," said Mr Gerry Robinson, chief executive of Granada, the television company.

He is also executive chairman of The Great British Lottery Company, one of the first of the bidders in pursuit of the single operator's licence to be awarded in March or April next year. There will only be one operator's licence although other companies can provide individual games.

If anything like the Irish experience were repeated in the much larger UK economy, then the new National Lottery licence would be a prize worth winning. On the basis of the Irish experience turnover could approach £10bn a year.

This is extremely unlikely, mainly because of competition from the £800m-a-year football pool markets, quite apart from other "harder" forms of gambling such as casinos and horse racing. Yet there is a growing belief that £1.5bn-a-year estimates of potential revenues from Mr Peter Brooke, the national heritage secretary, are conservative and that more than £3bn looks possible when the lottery gets into its stride. The first winning numbers could be chosen by next autumn.

In a recent study, including a model of future lottery finances, stockbrokers Hoare Govett argued that the National Lottery was likely to become the single largest "consumer product" in the UK. "Our forecast turnover of £3.5bn in year five will produce revenues to the exchequer of £420m and a sum for the beneficiaries of £1.8bn," it said.

The beneficiaries will be – in equal proportions – the arts, sport, charities, national heritage and a fund to pay for projects to celebrate the millennium.

The other bidder already trotting off down the course is Camelot, a consortium bringing together Cadbury Schweppes, De La Rue, GTECH, Racal Electronics and ICL. Like The Great British Lottery Company, also a broad-ranging consortium grouping Hambros, Associated Newspapers, Carlton Communications and Vodaphone as well as Granada. Camelot has already hired about 100 people and will probably spend about £2m by the time the bid document is submitted; the expenditure will cover the cost of the bid in addition to carrying out planning for the earliest possible national launch of the lottery.

At least five other riders, some more committed than others, are approaching the starting gate and most of them are likely to submit their bids in February.

The definite starters include the Rank Organisation, N M Rothschild in a joint venture with Tattersalls, the Australian lottery company, and the Tote, the body responsible for managing on-course pooled betting at horse races. The Tote has linked up with GEC, Thorn EMI and an unnamed lottery equipment supplier which is an equity investor.

Ladbrokes, the betting and leisure group which owns Vernons football pools, has not formally declared yet but is likely to submit a bid with partners.

A rather flightly outsider not to be ignored is Mr Richard Branson, who has a team, advised by advertising agency J Walter Thompson, working on a non-profit-making bid. "We are spending a lot of time on this," said Mr Branson, who envisages a wholly commercial operating company which would give all its profits to a charitable trust.

Most of the would-be lottery operators have gone down the consortium route, pulling in expertise ranging from computer power to retailing and television experience in the form of equity investors.

Mr Michael Gifford, chief executive of the Rank Organisation, has been working on a possible bid for five years and will contract his outside expertise. It is believed he has secured exclusive deals for all the suppliers he needs, including Arthur Andersen, the consultancy which has a specialist lottery team, and Dittler, the US lottery ticket company.

"We say we are an operator. We will buy at best value what is needed to make it work," said Mr Gifford. An indication of his seriousness comes today when Mr Ian Neilson-Jones takes up his new job of leading Rank's lottery bid. Mr Neilson-Jones previously ran the lottery in Ontario, Canada – the fifth largest in the world.

Also later today Mr Anthony Fry of Rothschilds/Tattersalls will decide whether to send out tender documents following the release of draft lottery regulations last week or wait until the final versions are available next month.

Work is now under way following the publication last week of draft licences and application documents and a series of tough rules from the Department of National Heritage. These include limits on rolling over the top prize for more than three weeks, which would block $100m US-style payouts and preventing tickets being sold in places such as betting shops or bingo halls.

By next year the lottery will offer considerable opportunities to a wide range of businesses – from suppliers of on-line terminals for the eventual 20,000-30,000 retail outlets, to printers of lottery tickets. An estimated 500 jobs could be created directly, double that if associated jobs are included.

According to the National Institute of Economic and Social Research a total of 85,000 jobs could be generated from the "multiplier" effect, including jobs in the construction industry from the money spent on good causes such as building new sports facilities.

The winner of the lottery licence will have to fight for its profits. After assuring Mr Peter Davis, director-general of the *Office of the National Lottery*, the body responsible for setting up and regulating the lottery, of its probity and reliability the contest will then turn on numbers – some of them very small. The smallest percentages of administration costs will impress Mr Davis as will small profit margins, although the main aim is to maximise revenues.

Hoare Govett estimates that by the fifth year the operator could be earning annual profits of £70m, though by then it would only have 18 months left of its licence, which expires on March 31 2001.

Unlike experience almost everywhere else the UK lottery will probably start with a "big bang" – a national launch of on-line terminals where customers can chose their own numbers and have them entered directly into the computer system and receive a ticket in seconds. In other countries, lotteries have launched first with "instant" games such as scratch cards and then moved on to more sophisticated computerised versions.

The UK lottery is also unusual in that it will be the first "privatised" lottery in the European Union. Its supporters hope that it will share one aspect of lotteries which is almost universal – if lotteries are properly administered and there is an interesting diversity of games, they make more money than originally forecast.

In the first week of the Irish lottery IR£6m was taken in revenues on scratch cards alone. And when the first big Lotto prize was won there was even a religious echo – the winner used *the letters in the name of* her favourite saint to help chose the winning permutation. For the seven likely bidders plus any dark horses the permutations are endless.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Japan's policy for plutonium re-cycling

From Yasutaka Moriguchi.

Sir, I am responsible for establishing and implementing Japan's plutonium recycling policy. I refer to the letter titled "Japanese nuclear policy increases UK's risk" (November 11), in which Mr W Walker insisted that the trouble for Japan is a plutonium surplus of more than 20 tonnes by 2000, and 40 tonnes by 2010. I would like to explain Japan's plutonium supply and demand situation.

According to the August 1991 report of the advisory committee of the Atomic Energy Commission, Japan will get a cumulative 85 tonnes or so of plutonium up to 2010. Of course, this does not mean that Japan will have a stock-pile of such an amount at that time, because we have a concrete plan to use it up. By 2010 Japan will consume 80-90 tonnes of plutonium in total: 10-20 tonnes for fast breeder reactors R&D, about 10 tonnes for added thermal reactors R&D; and 50 tonnes for fuel of light water reactors.

Compared with two years ago, the programme of plutonium supply and demand has slightly changed because the schedule for operation of the Rokkasho reprocessing plant, as well as start-up of the prototype FBR "Monju", was postponed for a few years. Estimates of both supply and demand have decreased by a few tonnes. However, the prospect that Japan will have no surplus of plutonium, including that from Thorp, is strictly maintained.

As long as we use nuclear power in electricity supply, plutonium is being daily produced in the fuel of the existing reactors. At this juncture, we have two options. First, that we use plutonium recovered from reprocessing as a technology-oriented energy resource. Second, that we dispose of spent fuels in which plutonium and uranium are contained. The environmental impact of high-level radioactive waste separated from plutonium and uranium by reprocessing will be smaller than that of direct disposal of spent fuel. In Japan, our policy is to use plutonium as fuel for nuclear reactors, in light of the above.

We believe that Japan, as a big consumer of energy resources, should develop plutonium recycling technology for future generations.

Yasutaka Moriguchi,
director,
nuclear fuel division,
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Tokyo, Japan

UK lead on air transport essential

From Mr Norman Nicholson.

Sir, If vested interests in the European air transport industry are to be challenged you say that passengers must make their voices beard ("Closed skies" November 4). Unfortunately, with little opportunity to shop around, this is too often impossible. Most European governments are reluctant to allow the concept of the national "flag carrier" to die. This was clear in the evidence presented to the 'committee of wise men' set up to look at the industry's problems – a committee that did not include a single representative for passengers.

UK passengers have enjoyed the benefits of liberalisation. Not only do we have a choice of airline on the most popular routes from Heathrow but increasingly also a choice of airport. It is surprising that the travelling public elsewhere in the European Union is not more vociferous in demanding similar deals. The UK must continue to lead by example.

This means taking all possible steps to ensure competition can flourish, including a much freer arrangement with the US. The capability to drive change has yet to shift from the regulator to the passenger.

Norman Nicholson,
Air Transport Users Council,
5th floor, Kingsway House,
103 Kingsway,
London WC2B 6QX

Arts Council open-minded on dance

From Ms Prudence Skene.

Sir, In his article on modern dance ("Modern dance in dire straits", November 10), Alastair Macaulay claims to be basing his conclusions on "the facts". He suggests that the Arts Council has agreed to the formation of a revised Rambert and told London Contemporary Dance Theatre to reduce its size or close.

The fact is that in tha case of London Contemporary Dance Theatre, it is the board of governors of Contemporary Dance Trust, and not the Arts Council, that has taken decisions on the future of the company. London Contemporary Dance Theatre has been without a permanent artistic director for almost five years, and for more than a year we have been waiting for the board to make an appointment and, following that, to produce strong artistic plans.

The Arts Council has kept an open mind and does not have preconceived notions of what London Contemporary Dance Theatre should be or do. We shall of course give careful consideration to any proposals put forward to us by Contemporary Dance Trust.

The Arts Council recently announced its commitment to supporting the development of a broad range of contemporary dance. As the recipient of the largest Arts Council grant to any contemporary dance organisation, London Contemporary Dance Theatre's future direction must be considered in detail by the dance panel. The dance panel has encouraged Contemporary Dance Trust to submit plans, which can be considered alongside proposals from other dance companies, including Rambert. The Arts Council has yet to respond to the plans already put forward by Rambert's board and will be making no decisions about dance funding until the grants for 1994-95 are finalised next month.

Prudence Skene,
chairman of the dance panel,
Arts Council of Great Britain,
14 Great Peter Street,
London SW1P 3NQ

Dilemma at the centre of 'A' level intake

From Mr G P Gallie.

Sir, Your survey of October 31 in which a selection of schools is ranked by the students' "A" level results presents a dilemma which I should like to share with you. While the articles associated with the statistics indicate the caution with which they have to be interpreted, they do not present clearly what appears to me to be a central issue.

Like many comprehensive schools, we are now accepting a rising proportion of our students on to "A" level courses which were intended originally for the most able 25 per cent of the population. We receive about 200 children of all abilities each year from the neighbourhood, and have for several years accepted some 35 per cent of these to study for "A" levels.

In recent years this proportion has increased to 55 per cent, and the "additional" students have largely gained reasonable "A" level grades. They have been accepted into higher education courses and we are confident that they have benefited from their time in the sixth form.

We could, very simply, raise our score and find a high place on your listings by restricting our entry into "A" level to the figures of three years ago. We shall not do so, in the interests of students, parents and of employers. However, by encouraging more students to aim higher we shall appear to be achieving less than many of the schools in your list. Are those lists really serving a valuable educational purpose?

Incidentally, we believe that we offer "good value for money". The annual cost of educating each student at this school, now borne almost entirely through funds delegated to the school, is £1,820. Our "A" level results compare favourably with many schools working on double that figure.

Peter Gallie,
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FINANCIAL TIMES
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Monday November 15 1993

High noon in world trade

THE NEXT 30 days will mark a watershed. In that time the still economically dominant western powers will decide the fate of the liberal trading system that underpinned their postwar success. Construction of a new international order may well be beyond their ability. Preserving and extending this most essential of legacies should not be.

A series of hurdles – the vote on the North American Free Trade Agreement in the US House of Representatives, the meeting on Asian Pacific Economic Co-operation in Seattle, but above all the deadline of the Uruguay Round of multilateral trade negotiations on December 15 – lie before us. These hurdles must be jumped. There is no sensible alternative.

The postwar trading system was animated by a single-minded determination to avoid repetition of the protection that wreaked such havoc in the 1920s and 1930s. It succeeded beyond the wildest dreams of its designers. Between 1950 and 1991 the volume of world exports rose 12 times, while that of exports of manufactures rose 23 times, an expansion that dragged global output itself up six times, behind it.

Policy choices made such success possible. Policy choices will also determine whether it lasts. Industrial output per head in east Germany did not fall to a third of that in the west because the people were inferior. South Korea did not outstrip the North because of luck. These successful countries shared active participation in the global market economy with all the other dynamic economies of the postwar era.

The point has not been lost upon others. Sixty-three countries, 51 of them either developing or former centrally planned economies, have notified the Gatt trade liberalisation measures taken during the seven-year history of the Uruguay round.

One reason these countries wish to increase their commitment to the liberal world trade system is economic. Credence may not be placed in estimates of the benefits of a successful Uruguay round, such as the $270bn advanced last week by the OECD. But few can doubt that world economic welfare would be far higher with comprehensive trade liberalisation than without it.

No less important are the potential losses from failure. Nobody knows what those might amount to, but that does not mean they would be small. They are more likely to be unknowably large. As Peter Sutherland, the Gatt's new director-general, has stressed: "failure to reach agreement by the end of this year would undermine the multilateral trading system with unpredictable economic, political and, even, security consequences".

Cost of failure

Those wider consequences of failure must never be forgotten. Does anyone suppose, for example, that co-operation between the US and Europe would survive a breakdown that could be plausibly blamed either on French intransigence or on stubborn US nit-picking over the trading rules?

The challenge is to make arrangements that flourished in the shadow of the cold war survive in its absence. Success is more difficult now, because there is no longer a shared threat. But it is also still more important, because trade friction has become a central part of international political relations.

It is on the shoulders of the western powers, the US and the European Union, that the outcome ultimately rests. But this is not just a burden upon them; it is also an opportunity. The notion of a system of international trade law governing a liberal global economy is both their achievement and their legacy, but it is ceasing to be their possession. Their economies still account for half of world output, but this share is in ineluctable decline. What the western powers can do, though perhaps now for the last time, is determine whether a working system is bequeathed to the more politically and culturally diverse world now emerging.

The system is, in fact, a peculiarly American creation. At the end of half a century of active engagement in global affairs, the US has every right to feel satisfied with the outcome. Alas, it does not. So great is US self-doubt that even the free trade agreement with Mexico stands on the verge of rejection.

NAFTA must pass, not because it is that intrinsically important, which it is not, even to its participants. Nor is it because it is unambiguously desirable. In important respects, notably its restrictive rules of origin and its two side agreements on labour and the environment, it is even quite worrying. The latter, for example, though modest enough in themselves, indicate US acceptance of the fallacious idea that trade between countries with different standards is mutually impoverishing. They also introduce the equivalent of the EU's *acquis communautaire*: the idea that regulations may never be relaxed, however costly they turn out to be.

For all that, NAFTA must not fail, because it would do so for the wrong, protectionist reasons. US credibility in international negotiations is at stake. The administration realised this very late in the day. It is to be hoped that it did not realise it too late.

The EU too is palsied by protectionism, notably in its attitudes towards trade with eastern Europe and within agriculture. France, the EU's second most important member state, is even prepared to undermine the EU's capacity to act in order to preserve its right to dump subsidised agricultural surpluses on world markets. Worse, the EU has not been prepared to confront French intransigence, with the result that its principal negotiator, Sir Leon Brittan, is forced to look over his shoulder in almost everything he does.

Game of chicken

As Mr Sutherland has pointed out, the US and EU are playing a game of chicken in the last stages of these negotiations, both hoping the other will swerve first. Progress has been made in Geneva. A significant market access package is being shaped, while there is almost complete agreement on a text in services. But the negotiations have fallen well behind the schedule agreed last summer. The market access negotiations, in particular, were supposed to have been finished by November 15. It appears that the EU and US hope everything will be wrapped up in a grand closing sale, failing which each will blame the other for the breakdown.

The time of decision has arrived. The long-term economic and political future of Europe is at stake, with the EU risking a grim future as an increasingly marginal part of the world economy. The new Union must show itself capable of sticking to agreements it has reached. Even the Franco-German alliance may founder if it falls short of constructive engagement with the rest of the world.

The challenge for the US is little less. Should Nafta be defeated, a successful outcome to the Uruguay round may be still more difficult, but it would also then be even more important. Should both fail, the legacy of half a century of successful US-led effort would lie in ruins. No contemporary US politician has the right thus to throw away the achievements of more constructive times and wiser men.

The alternative to the Uruguay round would not be a harmonious world of trading blocs. Anyone who believes that a US unable to implement Nafta could negotiate free trade with Latin America or east Asia is dreaming. Anyone who believes that an inward-looking EU would prove stable may be similarly deluded.

The probable alternative to success would, instead, be a chaos of simple-minded unilateralism and bilateralism. It would be a world of unsuccessfully managed trade. It would, in short, be everything that policymakers decided, half a century ago, they never wished to see again. There is no good reason why their hopes should be betrayed. The world knows better than that. Leaders of great economic powers should show they do too.

Hands across the water

Links between the Pacific nations are likely to be strengthened, say Alexander Nicoll and George Graham

The unprecedented meeting this week of leaders of Pacific nations may be short on concrete moves towards future co-operation, but it will be full of powerful symbolism.

The 15 members of Asia Pacific Economic Co-operation, a four-year-old grouping that will hold its first leaders' meeting in Seattle on Friday and Saturday, include the world's two biggest economies – the US and Japan – and by some measures the third largest, China. They represent a large proportion of the world's wealth, and sport the fastest rates of growth in output, trade and investment.

For Asian countries the gathering will underline this prosperity, as well as the increasing closeness of trade and diplomatic relations within the region. Apec's other members are Australia, Brunei, Canada, Hong Kong, Indonesia, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Taiwan and Thailand.

They will be discussing the acceleration of already fast-growing trade and investment between their dynamic economies, while governments of slow-growing industrialised countries struggle to overcome domestic protectionist pressures and push through free trade measures. US President Bill Clinton will arrive in Seattle having won or lost the battle in Congress for the North American Free Trade Agreement in the House of Representatives vote on Wednesday. And a December deadline for a conclusion of the Uruguay Round of the General Agreement on Tariffs and Trade is fast approaching.

For Mr Clinton, who has called for the creation of a "new Pacific community", the meeting will be an opportunity to persuade Americans that their destiny is tied more to Asia than to Europe. Mr Winston Lord, US assistant secretary of state for Asia, says: "Europe is still very important but, in relative terms, we believe Asia has become more important for America – and not just for economic reasons."

The economic justification, however, is clear. US trade with Asia last year, at $344bn, was 51 per cent higher than trade across the Atlantic. By 1991, Asia accounted for $66bn or 15 per cent of US direct investment abroad.

Just as important, moves towards multilateralism, such as Apec's development, are a step forward for a region in which a strong US troop presence has, since the second world war, kept the security balance. Asia has a history of hostility and wars between neighbours. It still has a number of outstanding security issues, such as the nuclear aspirations of North Korea's dictatorship and the disputed Spratly Islands in the South China Sea.

Regional co-operation should help the US to achieve its goal of a reduction in post-cold war military expenditure while remaining an Asian power – a role that Pacific countries want Washington to maintain. "It [Apec] is an important device for keeping the US engaged in the region," says Mr Don Russell, Australian ambassador to the US.

South-east Asian countries and their main industrialised trading partners agreed earlier this year to expand annual talks into a regional security forum. Though there is no suggestion that Apec should also take on a role in discussing security issues, officials from both sides of the Pacific see it as having a long-term role in promoting peace.

This sort of role is welcomed by China, for example. Mr Wu Jianmin, China's foreign ministry spokesman, says that while China opposes a formalised trade bloc, "we believe it is useful to have a leadership conference to enhance mutual understanding". China's president, Mr Jiang Zemin, will be in Seattle and his first meeting with Mr Clinton will potentially mark an important step forward in the difficult Sino-American relationship.

Actual moves towards economic co-operation among Asian countries, however, have been insubstantial and are unlikely to be much advanced this week. Apec is a consultative body dealing with issues such as harmonisation of customs data and exchange of information on marine pollution. The Seattle meeting will take it a step further by establishing a trade and investment committee.

The committee will aim to simplify customs procedures and improve investment flows within the region. But Ms Charlene Barshefsky, deputy US trade representative, says it could expand into other areas, as Apec members become more comfortable with and committed to greater co-operation.

The reason for this cautious approach is that there are deep divisions among members about the nature and degree of future co-operation. Asian countries resent any move that could be interpreted as intended at regional domination, and are particularly suspicious of US emphasis on human rights and the promotion of democracy.

These worries have been illustrated by reactions to an ambitious report from an Eminent Persons Group, to be considered by Apec ministers when they meet in Seattle on Wednesday and Thursday. The group, chaired by Mr Fred Bergsten of the Institute for International Economics in Washington, calls for the creation of an Asia Pacific Economic Community, and specific steps towards the establishment of an Asian free trade area, which would push regional trade liberalisation further than measures agreed under the General Agreement on Tariffs and Trade.

US officials acknowledge these are distant prospects. But the recommendations have caused concern among the six-member Association of South-east Asian Nations, which is keen to maintain its own position as a regional grouping.

"Malaysia has made it clear it would like Apec to proceed slowly, just as Australia has made it clear it would like to proceed quickly," says Mr Lord. Malaysia's prime minister, Dr Mahathir Mohamad, declined Mr Clinton's invitation to the Seattle meeting.

Japan, wishing to expand its global role but anxious not to upset the US or its regional neighbours, is trying to tread a line between them. Mr Takeshi Isayama, a senior official in the Ministry of International Trade and Industry, says: "We have to think what kind of management will be most beneficial to the world economy after the end of the cold war. Apec can be an extremely effective place to think about that." But he also says the Gatt Uruguay Round is essential to Apec: "Making Apec an alternative to Gatt means to make it a forum for negotiation. That's impossible."

Even Australia, which sparked Apec's original creation and remains its keenest promoter, made clear last week that a suggestion by Prime Minister Paul Keating to change the "Co-operation" in Apec's name to "Community" did not imply it wanted to establish a free trade area.

Domestic political considerations would in any case rule out an Asian free trade agreement for the foreseeable future. Mr Clinton, after his troubles over Nafta, could hardly launch an even more ambitious trade initiative. Leadership struggles in Japan and China will also limit their freedom of action.

Divisions may emerge this week on admission of new members. Mexico, Chile and Papua New Guinea are the most immediate candidates, but India, Pakistan, Macao, Sri Lanka, Russia, Ecuador and Peru have also made overtures, and the European Union has asked for observer status. Ms Barshefsky says: "The desire to include new members is currently juxtaposed against an increasing concern among many members that Apec must first consolidate and produce concrete results."

This week's strongest rhetoric is therefore likely to be reserved for issues of global rather than regional importance. Apec members will forcefully demand a successful resolution of the Gatt talks by the December deadline. "We are interested first and above all in the Uruguay Round. That really is the overall setting," says Ms Joan Spero, US undersecretary of state for economic affairs.

Before true Asian co-operation can make any further significant progress, there will need to be many more confidence-building sessions such as the Seattle meeting. Ms Spero says: "It [Apec] is not going to be a snail. On the other hand, it is not going to be a jack-rabbit, either."

Increasingly close trade and diplomatic links: clockwise from top left, Bill Clinton, US president; Paul Keating, Australian prime minister; Jiang Zemin, China's president; and Morihiro Hosokawa, Japanese prime minister

Stumbling block to monetary union

PERSONAL VIEW

Last month's judgment by the German constitutional court clearing the way for Germany to ratify the Maastricht treaty has been given a genaral welcome. However, the court's ruling, coupled with the suspension of the narrow margin exchange rate mechanism (ERM) on August 2, may well render the project at the centre of the treaty – economic and monetary union (Emu) – more difficult to achieve.

Let me deal first with the Brussels meeting of EU finance ministers and central bank governors at the beginning of August. The meeting was requested by the German monetary authorities after heavy currency market pressure at the end of July.

During the night of August 1-2 the French and German authorities agreed to suspend the narrow margin system. Other members were not in favour of this decision.

If there had been the political will to continue with the system, it could have been maintained, and the end-July crisis would have been overcome. This would have involved, of course, a decision to continue intervention and to adjust interest rates in the countries whose currencies were under pressure.

The system was created as a result of a strong German desire during the past two decades for more stable European exchange rates. This resulted in the establishment, first, in 1972, of the European "snake", and then, in 1979, of the ERM.

The decision to suspend the system means that the cornerstone of European monetary co-operation over the last 21 years has been discredited. It is difficult to see how it can be rebuilt.

The system became the most important symbol of policy collaboration in Europe and an essential instrument in creating convergence among member countries. This can, of course, he achieved in other ways, but, I am afraid, only with difficulty.

At present, leading EU countries do not display active political interest in re-establishing the exchange rate mechanism.

It is difficult to see how the cornerstone of monetary co-operation can be re-built

With respect to the Constitutional Court's judgment on October 12, there is a need for careful analysis. In particular, two aspects appear of great importance.

First, the court's ruling states definitively that the realisation of the Maastricht convergence conditions prevails over the date – January 1999 – when, according to Article 109j of the treaty, Emu has to be established at the latest.

The ruling confirms the tendency to put increasingly massive weight on the exact fulfilment of the conditions. This will make it more difficult to realise Emu – particularly in tha light of present circumstances. The economic slowdown is increasing the budget deficit and public debt ratios of member countries to beyond the reference levels set down in the Maastricht treaty.

Additionally, the widening of ERM bands may make it difficult to fulfil the Emu eligibility rule that requires countries' participation in a narrow ERM band, without being devalued at their own initiative, for two years before the final fixing of exchange rates.

Just think of the disturbances created by the German unification that hrought Germany away from fulfilling the Maastricht stahility conditions. Although German unification was a unique external shock, disturbances of a similarly difficult political nature might occur in other countries in the future.

The second question concerns the court's ruling that, once Emu has been set up, Germany may leave monetary union if the stability conditions are not continuously fulfilled.

It is sometimes argued that this is only a theoretical possibility, but it may still have an impact on markets. The initial phase of Emn is expected to be characterised by irrevocahly fixed exchange rates. Will that he a credihle system if an important member reserves the right to leave if conditions change?

These are all important questions. I cannot resist the temptation to say that these reservations are more far-reaching that Denmark's own requirement to win an exemption from Emu, which gave rise to so much trouble.

Erik Hoffmeyer

The author is governor of the Danish National Bank

OBSERVER

Does Jan not love Bob?

■ What does Jan Leschly, the incoming chief executive of SmithKline Beecham, think of the current incumbent, Bob Bauman, who steps down next April? Not a lot, if a private note from brokers UBS Phillips & Drew is to be believed.

The note, which has been leaked to the press and is based on an interview two UBS analysts had with Leschly last month, argues that now that the 1989 merger of SmithKline Beckman and Beecham has been completed Bauman is not the best person to generate the organic growth that the new group needs.

No great surprise there. But then it goes on to summarise Leschly's alleged views on Bauman which range from an assertion that he has no understanding of how the drug industry works to his lack of strategic skills. Even worse, Bauman is said to be not good at motivating staff and too anxious about City views. Vicious stuff.

An embarrassed Andrew Porter, the UBS analyst who penned the contribution to UBS's UK *Healthcare Daily Comment*, now says that his views were just "jottings" and did not represent what was said at the meeting. Perhaps, but why commit them to paper and include a prominent warning to "keep the controversial points to yourself and not let SKB know the comments came from us."?

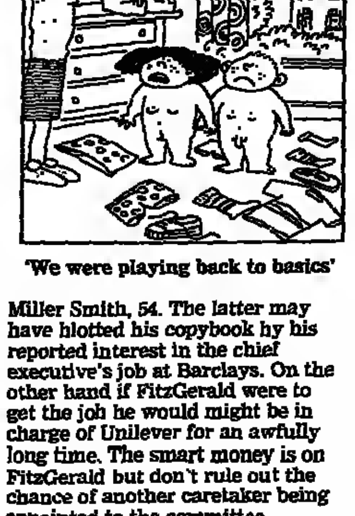
Even assuming that Jan Leschly's views about Bauman have been completely misrepresented, the case raises the question of whether stock broking analysts should be hriefing their firm's salesmen with ideas that they are not prepared to justify in public.

Decision time

■ Still on the subject of possible boardroom rifts at the top of big FT-SE 100 companies, some old Unilever-watchers are wondering why it is taking so long for the Anglo-Dutch multinational to make up its mind about its next hoardroom reshuffle.

Unilever is headed by a triumvirate consisting of two chairmen – one English and one Dutch – and a third director, currently Morris Tabaksblat, 56. The latter is expected to replace Floris Maljers as chairman of Unilever NV when he retires next year. This will leave a slot on the committee which by tradition is filled by the next British chairman in waiting. Michael Perry, the current chairman, is only three years off retirement so whoever gets the seat on the special committee should not have long to wait until assuming the chairmanship.

The front-runners for the joh are Niall FitzGerald, 48, and Charles Miller Smith, 54. The latter may have hlotted his copybook hy his reported interest in the chief executive's job at Barclays. On the other hand if FitzGerald were to get the joh he would might be in charge of Unilever for an awfully long time. The smart money is on FitzGerald but don't rule out the chance of another caretaker being appointed to the committee.



'We were playing back to basics'

Iron lady

■ Last Thursday'a issue of the United Arab Emirates' Khaleej Times carried a report of the BBC's documentary on the downfall of Lady Thatcher. The paper notes that in the months leading up to her shock resignation she treated some ministers like doormats and was showing "signs of metal fatigue".

Hiring time

■ Unemployment in Europe must have reached serious proportions when Germany's physicians start phoning the Bundesbank for work. The German central bank's switchboard has been jammed in recent weeks hy job-hunters, including at least one doctor, hoping to get one of the 200 jobs at the European Monetary Institute, Buba's new neighbour.

Observer does not want to dash hopes hut prospects don't sound too promising. Initially, the core of the EMI staff will be drawn from the Basle-based secretariat of EC central bank governors. It already operates a number of working groups – on a future European bank note and on EC payment systems, for instance – staffed by delegates from European central banks, and these are likely to transfer to Frankfurt. But when the EMI needs more full-timers it knows where to look.

Not all should despair, though, because the secretariat is currently paid top whack salaries by the Bank for International Settlements. So some candidates may opt to stay behind in Basle rather than take a cut in their standard of living by moving to Frankfurt. In any event, aspiring EMI bankers are ill-advised to call Buba, thereby reminding it of its eventual demise. CVs to EMI president Alexandre Lamfalussy at the BIS in Basle, please.

Back in business

■ One thing thet Britain's parliamentarians really look forward to is an official all-expenses-paid trip abroad. Imagine the horror then when members of tha Trade and Industry Select Committee were recently threatened with having to fly economy class to south-east Asia because British Airways had overbooked its flight.

However, all it took was the threat to call Sir Colin Marshall, BA's chairman, and the MPs were reinstated in Business class although the committee's two clerks were not so lucky. Hard to imagine e self-publicist like Virgin Atlantic's Richard Branson making such a gaffe.

Back to basics

■ Today sees the start of a four-day international conference which will "explore the best practices of winning organisations from around the world". Pity about the venue, the Euro Disney theme park which has just lost a staggering FFr 5.3bn in its first full year of operation.

FINANCIAL TIMES

Monday November 15 1993

White House's arm-twisting on Nafta will continue until the last minute

Trade pact vote still in balance

By George Graham in Washington

THE debating, cajoling and arm-twisting will continue up to the very last minute this week as members of Congress prepare for Wednesday's crucial vote in the House of Representatives on the North American Free Trade Agreement with Mexico and Canada. The congressional votes have been counted, recounted and double-counted, and still no one can predict the outcome with real confidence.

"The undecided members of Congress still hold the balance," Mr Al Gore, the vice-president, said yesterday.

If Nafta passes the House, it is expected to be approved more easily by the Senate. It would then come into effect on January 1, lowering tariffs and dismantling trade barriers between the US, Canada and Mexico.

President Bill Clinton said this weekend that he had won 27 members over to Nafta in the three days since Mr Gore debated the issue with Mr Ross Perot on television, and claimed to have the necessary momentum to win on Wednesday. One more member, Ms Maria Cantwell, was due to announce her support yesterday, despite Mr Perot's anti-Nafta rally in her Seattle district.

But Congressman David Bonior, the Democratic whip who is leading the battle in Congress against Nafta, said he had counted the 218 needed to win in the 434-member House.

"We have about 222 votes going into this weekend and we think we are going to hold our votes," Mr Bonior said yesterday, though other anti-Nafta campaigners said they wanted a cushion of at least eight or nine members.

The White House's strategy is built on gaining around 100 of the House's 258 Democrats and around 120 of the 175 Republicans.

Some pro-Nafta campaigners believe that they will have the Democratic votes they are counting on, but worry that the Republicans are so far assured of only about 105 members and will be hard pressed to come up with their 120-vote contribution.

In the last month, however, the administration has been hard at work on a wider spread of side-deals to allay the doubts of wavering members.

"The only deal that hasn't been made is for working families," Mr Bonior complained. Votes have been hard to buy. Deals on citrus and sugar won fewer vote commitments than the White House had hoped for, and the promise of a North American Development Bank doubled its yield this week when Congressman Ed Pastor cited it as a reason he would vote for Nafta. Asparagus growers and airlines have also received a helping hand but the administration denied that it had promised to build sewers or bridges in the districts of uncommitted members.

What many congressmen are looking for, however, is a political umbrella. Mr Clinton offered one to hesitant Republicans by promising to help them in next year's congressional elections if his fellow Democrats bring up their vote for Nafta against them.

Canada ponders deal, Page 4
What Nafta says about democracy, Back Page, Section II

Manufacturing jobs 'to fall sharply' in western nations

By Peter Norman, Economics Editor

MANUFACTURING industry in the leading industrial countries could be employing less than 10 per cent of the workforce in 30 years, according to two prizewinning economists.

Ms DeAnne Julius, the chief economist of British Airways, and Mr Richard Brown, a UK economic consultant, say faster falls in employment can be expected in countries such as Germany, Japan and Italy.

But in an essay that has won this year's $25,000 first prize in the annual Amex Bank Review Awards competition, they argue that it would be "costly and ultimately fruitless" for industrial-country members of the Organisation for Economic Co-operation and Development to try to stop the trend through subsidies or protection. The share of manufacturing in total employment has already fallen sharply in recent years to about 15 per cent in the US and to 32 per cent in Germany.

Ms Julius and Mr Brown say the present shift away from manufacturing towards service-sector employment within OECD countries and the migration of manufacturing jobs to low-cost developing countries are "desirable and natural".

The shift of employment away from manufacturing will be analogous to the fall in agricultural employment in the industrial countries earlier in this century when, according to their analysis, displaced agricultural workers tended to find jobs predominantly in the services sector.

"Left to market forces and assuming continued technological progress, there is little reason to suppose that manufacturing employment should follow a very different path over the next 50 years than agricultural employment has over the past 50."

The economists say industrial-country governments should respond to the changes by upgrading and broadening their education systems to produce workers with sufficient flexibility and productivity to underpin expanding service sectors. They should also support free trade in services.

Economic Notebook, Page 17

Japan to use total intake of plutonium

By David Lascelles and Kenneth Gooding in London

JAPAN will receive about 85 tonnes of plutonium from reprocessed nuclear fuel by the year 2010, according to the official responsible for the country's plutonium recycling policy.

Mr Yasutaka Moriguchi, director of the nuclear fuel division of Japan's atomic energy bureau, says plans have been made to consume all this quantity, including shipments from Thorp, the UK reprocessing facility which has long-term contracts to handle Japan's waste nuclear fuel.

In a letter to the Financial Times, Mr Moriguchi says today that 10-20 tonnes will be used for research and development of fast breeder reactors, and about 10 tonnes for R&D of advanced thermal reactors. A further 50 tonnes will be used to make fuel for light water reactors.

Mr Moriguchi says Japan's plans for plutonium have slipped because of delays in building its own reprocessing plant and developing fast breeder reactors. This has also reduced both the demand and supply of plutonium. But, he says: "The prospect that Japan will have no surplus of plutonium, including that from Thorp, is strictly maintained."

Japan has two options to deal with plutonium produced as part of the spent fuel from its existing reactors, Mr Moriguchi says. It can either use it to make more fuel, or dispose of it. Japan believes that the environmental impact of reprocessing will be smaller, which is why it has a policy of using plutonium as a fuel for nuclear reactors.

He adds: "We believe that Japan, as a big consumer of energy resources, should develop plutonium recycling technology for future generations."

Privatisation plea, Page 7
Letters, Page 14

China seeks to speed economic reforms

Continued from Page 1

to build upon the "positive results" of an austerity programme launched in mid year, which was designed to re-establish central control over a runaway economy. Economic growth this year is set to reach 13 per cent.

The emphasis given to enterprise reform suggests that China's rulers are anxious to speed the "corporatisation" of the state sector.

Chinese economists have been debating the merits of turning state enterprises into limited-liability companies, and in some cases joint stock companies.

The process would be aimed at making enterprises more accountable for their profits and losses, and reducing the responsibility of the state for faltering industries which are proving a huge financial burden. Chinese policymakers have been obliged to advance carefully in that area because of concerns of a backlash from the state enterprise lobby, and from party conservatives who would claim that the "socialist system" was under threat.

The third plenary session of the 14th central committee session followed closely the release of the Third Volume of Mr Deng's Selected Works.

London meat traders take on the City

Continued from Page 1

April, the meat traders are now plotting to infiltrate its decision-making body, the 132 members of common councilmen, in the annual elections to be held early next month. They intend to pack the City's wards with their own supporters and hope to create their own powerful cabal of "meatiemen" within the council.

The Corporation, however, remains confident. As one of the three medieval institutions left in England – the others are the monarchy and the House of Lords – it is not going to cede an inch to the the meatpackers.

But the Corporation may reform its archaic system of voting and for the first time give public companies a vote in deciding how the City is governed.

Members are elected by the most restricted franchise in the UK, with votes going to partnerships, sole traders, livery companies and City residents.

Anomalies mean that, for example, partners of large accountancy practices with numerous offices in the square mile can vote in seven separate wards. But BP, the square mile's largest employer, cannot.

THE LEX COLUMN

A marginal existence

Britain's high street banks must view the possibility of an interest rate cut at budget time with some ambivalence. The days are long gone when lower rates were needed to stop their customers going under. Another half point or so off base rate would do little to bring provisions down faster. It would reduce the cost of funding non-performing loans, but this saving would be largely offset by lower returns on so-called free balances, accumulated capital and current account deposits on which banks do not pay interest.

Lower interest rates could thus put margins under downward pressure, despite the lucrative opportunities in mortgage lending which were amply demonstrated in Bank of Scotland's recent results. The building societies' dependence on retail savings has forced them to keep mortgage rates high so that they can afford to pay adequate interest to their depositors. This has created an opportunity for banks which have unrestricted access to cheap wholesale money.

The banks, however, have now reduced rates on their own retail savings products to the bone. If base rates fall further, they could increasingly come under the kind of margin squeeze facing the building societies. To compensate, even conservative banks like Lloyds, which faces particular pressure on its operating income, might try lending more. The temptation might become more general as bank capital is swollen by the post-recession recovery in earnings.

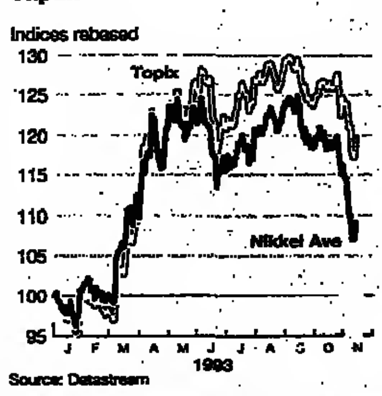
But competition for a limited pool of credit business could simply depress margins further. Hence the need for savings in areas like cheque processing. Lower base rates would also hasten the day banks are forced to start charging for current accounts and other money transmission services.

Corporate disclosure

The stock exchange's draft guidelines on corporate disclosure have drawn a first public response from Hoare Govett, which admits to worry about the low-key nature of the call on companies to give more information. This homes in on the central nature of the problem. There is a need to ensure information is disseminated fairly, but there is also a need to formulate the guidelines in such a way that companies do not simply clam up. In practice that means that an obligation to inform may have to accompany a ban on selective leaking of information.

Japan

Indices rebased



Source: Datastream

This points inexorably towards the introduction of a quarterly reporting requirement together with some prescription for the minimum amount of detail such statements might be expected to include. Companies may not like the extra work involved: in the end, though, it could cause them less time and trouble than continuous worry about what does or does not constitute market sensitive information. Indeed any attempt to make the guidelines define the term market sensitive is bound to come adrift.

Quarterly statements would not, of course, absolve companies from issuing timely announcements when the unexpected happens. Nor should such information be dribbled into the market. After all, cheapening technology will give even small investors access to a Topic screen or its equivalent sooner or later.

UK accounting

Having knocked the profit and loss account into shape, the Accounting Standards Board now plans to tackle the vexed question of goodwill – ironically during the Christmas season. The debate is unlikely to generate much cheer. The question is how companies which pay more than net assets for acquisitions should treat that premium in their accounts. On a wholly pragmatic view, the interests of UK companies would be served by an accounting treatment which is transparent and in step with international practice. That argues for amortisation of goodwill through the profit and loss over a fixed period. Both the US and international standards setters have adopted this approach.

Yet many finance directors are loath to accept a treatment which results in lower profits. They also use the uncertain argument that goodwill does not depreciate in the manner of a physical asset. The ASB enjoys powers of coercion, but wholesale prosecution of British industry does not seem an attractive option. It is exploring subtle methods by which goodwill might be valued so that it can be held on the balance sheet and, if necessary, depreciated. Whether the board can find a sufficiently water-tight method to prevent manipulation of accounts remains an open question.

Even a more-or-less reliable method is unlikely to satisfy those who fear that revaluation of goodwill would leave UK accounting on a slippery slope. After all, it seems inconsistent to value acquired goodwill without treating internally-generated intangible assets such as brands in the same way. There is a danger accountants will end up encroaching on the stock exchange's role in valuing companies.

Japan

There is more to the recent slide in Tokyo equities than meets the eye. While the Nikkei 225 average has fallen by 11 per cent over the last month, the more widely-based Topix index has fallen by only 6 per cent. Plans to do away with the Nikkei partly explain this underperformance, since investors have been selling small illiquid stocks unlikely to feature in the index which will replace it. Since the Nikkei average is not weighted by market capitalisation, such switching has acted as a heavy drag. Arbitrage traders selling the Nikkei 225 futures contract and buying the Topix, the closest proxy for the new weighted index, have added to the pressure.

The underlying slide in share prices is less easily evaluated. The flotation last month of JR East, the railway company, drained liquidity from the market and left a sour taste. The post-flotation premium of the share price has been quickly eroded. The authorities also appear less keen than in the past to provide a prop for a falling market by encouraging public sector funds to buy equities.

Whether this reflects a new laisser-faire policy in government, or simply a pragmatic response to the improved capital position of Japan's banks, remains unclear. But retail investors are showing scant enthusiasm for the stock market, unlike their counterparts in the US and UK. A poor interim results season and continuing economic gloom provide little incentive.

FT WORLD WEATHER

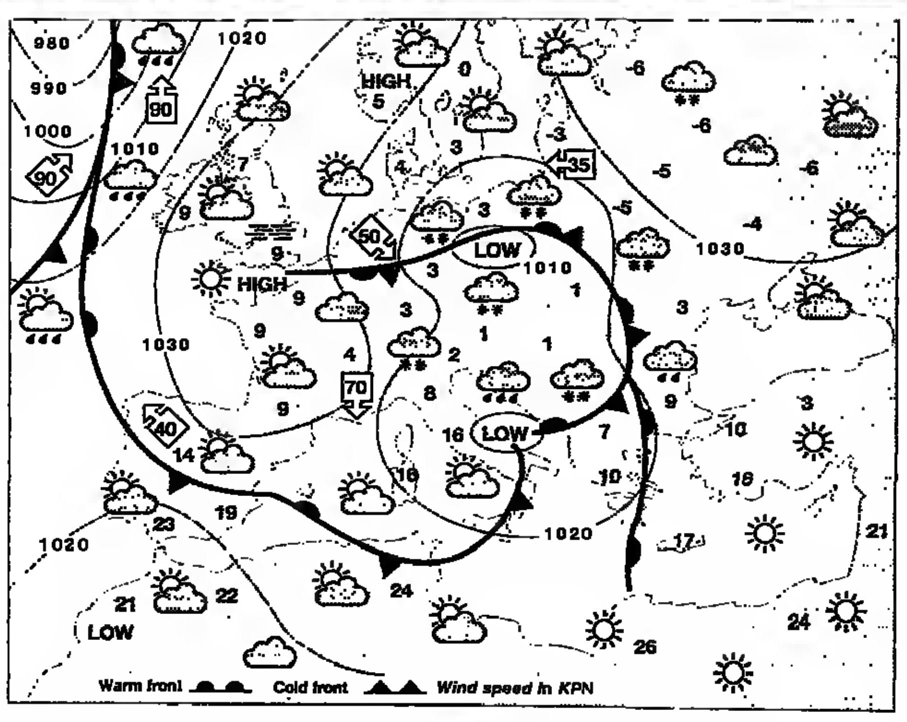
Europe today

Wintry conditions which prevail over Russia, Scandinavia and Poland will begin to spread toward the south-west. A weakening low over Poland will cause snowfall in Poland, Germany, the Czech Republic and Slovakia. In the northern Alps, a few tens of centimetres of snow are expected to accumulate. Strong north-westerly breezes will bring chilly conditions to Germany. Afternoon temperatures will be 3C-4C. In south-eastern France, a near-gale-force mistral is expected in the Rhone valley causing very cold conditions. Great Britain and most of Ireland will be dry with sunny spells. A frontal system from the Atlantic will approach Ireland this afternoon, but only western sections will have rain. Ireland will experience a strong southerly wind nearing gale-force.

Five-day forecast

A strong high over north-western Russia will extend into Scandinavia and over the North Sea. An easterly to north-easterly flow will feed cold air into Germany, the Low Countries and eventually northern France.

This will cause frosty conditions during the night and temperatures just above freezing during the day. Later this week, some snow may arrive in this region from the east.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	sun	33
Accra	sun	30
Algiers	cloudy	23
Amsterdam	fair	10
Athens	fair	16
B. Aires	fair	24
B.ham	fair	7
Bangkok	fair	36
Barcelona	sun	15
Beijing	fair	11
Belfast	fair	8
Belgrade	rain	4
Berlin	sleet	3
Bermuda	fair	25
Bogota	cloudy	20
Bombay	fair	28
Brussels	cloudy	10
Budapest	snow	1
C.hagen	fair	5
Cairo	cloudy	22
Cape Town	sun	30
Caracas	cloudy	28
Cardiff	sun	7
Chicago	cloudy	6
Cologne	rain	6
D' Salaam	sun	31
Dakar	sun	25
Dallas	fair	17
Delhi	fair	28
Dubai	sun	33
Dublin	fair	5
Dubrovnik	cloudy	15
Edinburgh	fair	7
Faro	fair	22
Frankfurt	rain	5
Geneva	sleet	3
Gibraltar	fair	18
Glasgow	fair	7
Hamburg	rain	4
Helsinki	fair	-5
Hong Kong	fair	27
Honolulu	sun	29
Istanbul	fair	10
Jersey	sun	11
Karachi	fair	36
Kuwait	sun	27
L. Angeles	fair	20
Las Palmas	cloudy	23
Lima	cloudy	22
Lisbon	fair	20
London	fair	9
Lux.bourg	cloudy	5
Lyon	sleet	3
Madeira	shower	21
Madrid	sun	17
Majorca	fair	18
Malta	shower	21
Manchester	fair	7
Manila	fair	31
Melbourne	fair	21
Mexico City	fair	22
Miami	fair	28
Milan	fog	10
Montreal	rain	12
Moscow	cloudy	-8
Munich	sleet	2
Nairobi	fair	27
Naples	shower	17
Nassau	sun	30
New York	cloudy	22
Nice	fair	17
Nicosia	fair	14
Oslo	fair	5
Paris	fair	9
Perth	fair	24
Prague	snow	1
Rangoon	sun	36
Reykjavik	rain	8
Rio	fair	27
Riyadh	sun	29
Rome	cloudy	17
S. Frsco	sun	17
Seoul	rain	18
Singapore	shower	29
Stockholm	fair	0
Strasbourg	sleet	3
Sydney	fair	24
Tangier	fair	21
Tel Aviv	shower	19
Tokyo	fair	15
Toronto	shower	13
Tunis	fair	22
Vancouver	shower	10
Venice	cloudy	11
Vienna	sleet	3
Warsaw	snow	1
Washington	cloudy	24
Wellington	cloudy	18
Winnipeg	cloudy	0
Zurich	sleet	3

FINANCIAL TIMES
COMPANIES & MARKETS
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Monday November 15 1993

INSIDE

Mazda expects first loss in 18 years
Mazda expects to make a pre-tax loss of Y32bn ($301m) this year – its first for 19 years – after posting a pre-tax loss of Y15.5bn for the first six months to September. The Japanese carmaker blamed weak demand at home and in Europe, as well as the sharp appreciation of the yen. Page 19

Ashanti set for February float
Ashanti Goldfields of Ghana will be ready to be floated on the London Stock Exchange by late February, according to Mr Sam Jonah, managing director. Page 18

Studies favour SK Beecham
A SmithKline Beecham anti-nausea product, Kytril, is more cost-effective than Zofran, one of Glaxo's most important new drugs, say three studies. The three trials are the first to compare the two drugs, used mainly to limit the side-effects of cancer treatments. Page 18

CS Holding buys bank stake
CS Holding, the parent company of Credit Suisse, has bought an additional 15 per cent stake in Bank Leu, Switzerland's fourth largest bank, for SFr416m ($278m) in shares and cash. The move is aimed at strengthening the CS capital base and consolidating its position as Switzerland's largest financial services group. Page 19

Paramount battle goes to court
The $10bn (£6.6bn) takeover battle for Paramount Communications will shift to the courtroom tomorrow when QVC Network will ask a Delaware court to create a "level playing field" between it and counter-bidder Viacom. Page 19

Austria unveils sell-off plans
Austria has unveiled an ambitious privatisation programme which will float a number of industrial companies on the Vienna bourse and other stock markets around the world. Page 19

Prospective p/e ratio
The latest prospective p/e ratio for the "500" index for calendar 1993 is 16.1, according to IBES, the consensus estimates service (Last week: 16.4). This compares with an IBES estimated p/e for the "500" of 20.7 (21.1) for calendar 1992. The official FT calculation of the historic p/e, based on the latest reported earnings, is 19.79 (19.9).

Market Statistics

Companies in this issue

Ferranti investors told to accept GEC bid

By David Blackwell in London

RECEIVERSHIP is the only alternative to GEC's bid of 1p per ordinary share in Ferranti International, shareholders have been told in the offer document released yesterday.

The bid continues to meet strong opposition from some shareholders. Mr John Katz, chairman and one of the founders of the shareholders' association, described the offer document as tantamount to mugging the shareholders.

GEC is offering about £10.1m ($15.25m) for the ordinary shares and £1.29m for the preference shares. It will also be required to assume Ferranti's bank debts of around £110m and further debts of £30m. The bid will proceed only if GEC can win acceptance from 90 per cent of shareholders.

Mr Eugene Anderson, Ferranti chairman, said at the weekend that it was vital for shareholders to accept "because we believe that it is unlikely that they would receive any return in receivership and that suppliers, customers, creditors and employees would also suffer".

Ferranti's 10 largest shareholders own 38 per cent of the equity and the top 100 own 59 per cent. But in order to clear the 90 per cent hurdle, virtually all its 8,000 largest shareholders will have to accept the deal.

The final 10 per cent of the stock is in the hands of 40,000 individual shareholders. More than 500 shareholders claiming to represent about 25m shares have contacted Mr Katz, who is leading the shareholder revolt.

Yesterday he said that if Ferranti did go to the wall and jobs were lost "it will be noted that it was not the shareholders who pulled the plug on the company, but the banks, who are the most massive beneficiaries of the proposed restructuring".

Mr Anderson's letter in the offer document paints a bleak picture of the defence electronics group's financial weakness and the effect on its ability to do business.

He warns that the position is continuing to deteriorate. The interim pre-tax loss, to be announced on Thursday, "is estimated to be in excess of the £10.9m loss" for the half year ending September 30 last year.

GEC's offer is also conditional on the conversion of the group's preference shares to ordinary shares. This requires a 75 per cent vote in favour at the extraordinary general meeting on December 8.

Mr Anderson conceded in the document that "shareholders will not be happy about the value ascribed to their shares". But in order to continue trading, Ferranti would need to use working capital facilities which depend on the offers being made, and would become repayable if the offers lapsed.

"Your board believes that the only alternative to the offers would be to invite the appointment of receivers. Receivership is unlikely to return any value to any class of shareholder in Ferranti."

It rules out the possibility of further disposals, a rights issue, or finding a strategic partner.

Andrew Adonis, John Ridding and Ariane Genillard report on Project Atlantic

European telecoms lay down lines of defence

The international telecommunications industry is buzzing over Project Atlantic, the putative alliance between France Telecom, Deutsche Telekom and American Telephone and Telegraph, the world's three largest operators.

If it comes to fruition, a draft agreement to merge all but the domestic voice businesses of the French and German state carriers and bring them into AT&T's international "Worldsource" venture would constitute potentially the biggest telecoms deal in history. This summer's $5.3bn partnership between British Telecommunications and MCI, the second largest US carrier, is Lilliputian by comparison.

The deal would have a long haul through the European Commission. BT's will not be the only voice crying foul on competition grounds – though some in the Commission's telecommunications directorate, as petrified as France Telecom and Deutsche Telekom at the long-term threat posed by AT&T, might see a defensive case for the arrangement.

However, Project Atlantic is simply the most graphic illustration yet of three trends sweeping Europe's public telecommunications operators (PTOs): the discarding of utility traditions; the search for alliances; and the passion to crown them with an American partnership.

The UK is the most advanced on all three fronts. Privatised in 1984, BT has been shedding staff, acting abroad in an aggressively entreprsneurial fashion, and engaging in foreign acquisitions. Its alliance with MCI is the latest and biggest such venture.

Europe's smaller PTOs are following suit. A number – led by the Danisb and Netherlands PTOs – are on the privatisation trail. Telecom Netherlands last week announced a strategic partnership with Telkom Indonesia, extending the Dutch operator's base in the fast-growing Asia-Pacific region.

Meanwhile, the Swiss, Swedish and Dutch PTOs have formed their own outsourcing company – "Unisource" – which has an alliance with Sprint, the third-largest US long-distance carrier. Telefonica, the Spanish state-owned operator, is in talks about joining.

Although they follow the same trends, the activities of the French and German PTOs are not motivated by identical pressures. While Deutsche Telekom is set for privatisation in 1996, France Telecom is not on the Balladur government's sell-off list of 21 publicly owned groups.

The French PTO is flush with cash, operating arguably Europe's most advanced network. Its German counterpart is weighed down by the investment demands of eastern Germany, and is anxious for private capital.

Nonetheless, both are acting more entrepreneurially and are concerned at the threat of foreign competition. Both are making aggressive moves abroad – ironically they are heading rival consortia bidding for stakes in Matav, the Hungarian state operator to be privatised this autumn. For offensive and defensive reasons, both are keen to strengthen their existing outsourcing venture Eunetcom.

Deutsche Telekom has been in the limelight this year because of its privatisation plans and a succession ventures in the former Soviet bloc. It has signed a memorandum of understanding with Intertelekom, the Russian state-owned long-distance operator, to modernise crumbling telecoms infrastructure. In the Ukraine, DT has formed a joint venture called Utel with AT&T, PTT Netherlands and the national operator to build a basic telecoms network, and it has teamed up with PTT Netherlands and the Danish PTO to develop a mobile phone network.

France Telecom has been less visible abroad, but it would be wrong to consign it to the back seat of any tripartite venture. With annual sales in excess of FFr120bn ($21.2bn) and a monopoly in most markets, it has a stronger domestic base than BT.

Top ten international telecoms carriers

Rank and carrier	1991 outgoing MITT (m)	1992 outgoing MITT (m)	Per cent growth MITT 1991-1992	Country
AT&T	6,557	6,984	6.5	US
Deutsche Telekom	3,557	4,087	15.3	Germany
France Telecom	2,295	2,449	6.7	France
BT	2,105	2,188	3.9	UK
MCI	1,600	2,083	30.2	US
Swiss PTT	1,429	1,551	8.6	Switzerland
Stentor	1,425	1,520	6.7	Canada
Hong Kong Telecom	913	1,137	24.5	Hong Kong
Netherlands PTT	1,018	1,134	11.4	Netherlands
Italcable	980	1,116	13.9	Italy

Source: Teledemography Inc., Washington, 1993

MITT is the minutes of telecoms traffic

More than 80 per cent of France Telecom's network is now digitalised, and neither the UK nor Germany has anything to match its Minitel screen-based information service.

France Telecom, too, has been stepping abroad. In the past month it has signed a series of agreements including an accord with Rostelecom, the Russian telecommunications operator, to develop a range of telephone services.

The French operator and its political masters have made no secret of their desire for an alliance with Deutsche Telekom. Mr Gérard Longuet, the French industry, post and telecommunications minister, describes DT as "a natural partner".

To give the operator a sharper competitive edge, Mr Longuet is preparing to change its status from an "autonomous operator under public law" into a joint stock company able to form cross-shareholdings with other telecoms groups.

If Project Atlantic has its entrepreneurial side, it is at least as much a defensive ploy. Both the French and the German operators fear an assault on their lucrative international businesses. Far better, say senior executives, to work in partnership with AT&T before the 1998 Brussels deadline for competition in voice services, particularly if the BT/MCI alliance makes inroads.

Furthermore, both groups are sensitive to their weaknesses in facing head-on competition. DT has the more obvious problems, given its staffing levels and the protected civil service status of most of its employees. France Telecom has an uneasy relationship with its unions. A strike last month demonstrated the depth of concerns and the scale of the obstacles to reform.

AT&T's motivation in Project Atlantic is obvious. It needs a credible European partner for its Worldsource venture, and it cannot gain direct access to the European market until 1998.

Reshuffle at Fiat due to Agnelli unease

By Haig Simonian in Milan

MR Umberto Agnelli, deputy chairman of Italy's Fiat group who will formally resign at a special shareholders' meeting in Turin today, is believed to have threatened to break up the family holding company and move abroad after recent setbacks within the business empire.

The threat of a split in one of Europe's richest families and consequent risk to Fiat and the Agnellis' other interests explain the complex redistribution of roles within the family announced on Friday night.

The changes include the appointment to Fiat's board of Mr Agnelli's son, Giovanni, and an explicit family "vote of confidence" in Mr Agnelli by giving him executive powers at Ifi, the quoted holding company at the heart of the Agnellis' widespread business interests.

Mr Gabriele Galateri di Genola, managing director of the Ifil investment group, is taking a similar post at Ifi, which controls Ifil. Mr Galateri has helped turn Ifil, chaired by Mr Agnelli, into one of the country's most successful companies.

The reshuffle at Fiat and Ifi is believed to be a response to growing dissatisfaction felt by Mr Agnelli, who was expected to assume the Fiat chairmanship on the retirement of his elder bother Gianni next year.

That changed in September when Mr Gianni Agnelli announced he would stay on for an extra two years.

In spite of Mr Umberto Agnelli's own business talents and diligence, he has tended to remain in the shadow of his elder brother Gianni.

Picking holes in independent Bank proposal

Economics Notebook
By Peter Norman

Independence for the Bank of England is a subject that refuses to lie down.

The question has been the focus of an extensive inquiry by the cross-party House of Commons Treasury and Civil Service Committee over the past six months. On Thursday of this week, the Centre for Economic Policy Research, a think-tank, will publish a report with proposals to change the mandate of the Bank and its relationship with the Treasury and with parliament.

It is a foregons conclusion that the CEPR panel of experts, chaired by Lord Roll of Ipsden, the president of SG Warburg, will put forward plans to make the Bank independent and accountable. The commons committee is likely to go the same way when its report on the Bank appears, probably before Christmas.

Over the past few weeks, a successlon of establishment figures, including Lord Lawson, the former chancellor, and Sir Peter Middleton, a former permanent secretary at the Treasury, have appeared in the Palace of Westminster's dusty committee rooms to disown the present arrangements, which leave the Bank subservient in matters of monetary policy to the Treasury.

Indeed, the cause of central bank independence has achieved such momentum in Britain that even those sympathetic to such an idea must worry that it is achieving the status of a panacea and that too many hopes are heing invested in it.

So it is a happy coincidence that the judges of thia year's essay competition organised by the Amex Bank Review have chosen to give one of the top prizes to a paper that disputes some of the claims made for central hank independence, and in particular the idea of a causal link between low inflation and the freeing of a nation's central bank from short-term political control.

Mr Adam Posen, the Amex silver award winner, asserts that close examination of the post-war economic record of the advanced industrialised democracies reveals no automatic link between an independent central bank and low inflation. An extra ingredient must be found. Mr Posen, an economist who is doctoral candidate at Harvard University, has concluded that a central bank will take strong action against inflation only whsn there is a coalition of interests in society capable of giving the bank political protection.

Other economists have expressed similar ideas, inclnding Mr Andrew Crockett, the Bank of England executive director appointed last week to take over as general manager of the Bank for International Settlements. He asked recently whethsr ths independence of the Bundesbank was responsihle for Germany's generally good low inflation performance, or whether the desire of the German people for low inflation was the reason tha Bundesbank can operate as it does.

An important part of Mr Posen's "interests not institutions" approach to central bank effectiveness is his belief that the financial sector plays the key role in resisting inflation in industrialised democracies. In his view, variations in the inflationary tendencies of societies can be ascribed partly to structural differencea in their financial systems.

These ideas lead him to suggest that:

- financial sectors with universal banking systems have a stronger anti-inflation hias than those without. This, he contends, is because universal banks are more involved in lending than in aecurities operations and so are more aware of the costs of inflation.
- the system of bank regulation has an impact on the counter-inflationary zeal of a country's financial sector. Mr Posen says that where central banks are not involved in bank supervision, financial sector representatives will be less inclined to lobby central banks for easier monetary policies to reduce the regulatory burden on banks and financial companies.
- political conditions also influence financial sector opposition to inflation. Mr Posen claims that the financial sector is more likely to press counter-inflationary ideals on a central hank in a federal syatem because its representatives, who are normally well organised and share common interests, can put forward a united front across regions.

It is perhaps no surprise to learn that Mr Posen was a guest economist at the Bundesbank in late 1992 and at Germany's Deutsche Bank this spring. The financial and political conditions he advances for a successful independent central bank (universal banking, no central bank involvement in supervision and a federal state) exist most obviously in Germany.

Conditions in the US – with ita independent Federal Reserve system – lend some support to his argument that the degree of political support for connter-inflation policies, and in particular financial opposition to inflation, is the key to a successful anti-inflationary central bank.

"It is not a coincidence," Mr Posen writes, "that the threats to Federal Reserve independence mounted hy Senator Paul Sabarnes and Representative Henry Gonzales, among others, have noticeably increased in the last few years along with the relative political weakness of ths American financial sector – irrespective of the contemporaneous extremely loose monetary policy."

At another point, he asserts that "an independent Bank of England cannot hring about noticeahly lower inflation so long as the British financial system is securities based, specialised, and central bank regulated and thus not strongly anti-inflationary."

His claim that independent central banks which supervise banking systems are less effective in controlling inflation is sure to meet hefty opposition at the Bank of England. The Bank has gone out of its way to reject suggestions that its responsibility for bank supervision could lead to a conflict of interest with the needs of monetary policy if it gains independence.

But UK policy makers, weighing independence for the Bank of England, would be well advised to take note of his central idea: that there is no institutional "fix" which ensures that an independent central bank can deliver low inflation.

Union bid for United Airlines fails

By Martin Dickson in New York

A FIVE-MONTH attempt hy unions at United Airlines to huy a majority stake in the large US carrier has fsllen apart, and the failure threatens to spark off strife between labour and management.

United, one of the big three US carriers, wants to improve its profitability hy a restructuring plan, lay-offs and a sale of assets which its unions oppose.

The unions, which made an abortive attempt to hny ont the airline four years ago, have warned of "Armageddon" if the company pursnes its restructuring.

However, United said the takeover proposal from its pilots and machinists unions was "seriously deficient", and reiterated that it would continue its cost-cutting.

This will focus on its short-haul domestic routes, where it faces mounting competition from "no frills" low-fare airlines. "United continnes to be non-competitive in the short-haul market and everyone knows something has to he done about it," the company said.

Its plans also include the sale of 15 of its 17 flight kitchens to Dobbs International for $119.4m (£79m), wbich will mean the lay-off of 5,000 staff. The pilots and machinists' unions expressed "bitter disappointment that management has placed short-term profits from the sale of the flight kitchens ahead of the interests of all employees and sharebolders".

The takeover talks apparently broke down on Friday because of disagreement over the value of the unions' offer.

Studies suggest SmithKline drug most cost-effective

By Paul Abrahams

THREE studies presented yesterday suggest a SmithKline Beecham product is more cost-effective than one of Glaxo's most important new drugs.

The studies, two independent and one sponsored by SmithKline Beecham, the Anglo-American group, compare Glaxo's anti-nausea compound Zofran, with Kytril.

The three trials, presented at the European conference on clinical oncology and cancer nursing in Jerusalem yesterday, are the first ever comparing the two drugs, used mainly to limit the side-effects of cancer treatments.

Zofran has been Glaxo's most significant launch over the past four years, generating sales of £365m last financial year, and forecast by analysts to reach £465m next year.

A Finnish trial of 161 women with breast cancer demonstrated that a 3mg dose of Kytril was statistically more effective than a single 8mg dose of Zofran. Complete control of vomiting was achieved in 84 per cent of patients on the SmithKline Beecham drug, compared with 60.7 per cent on Zofran.

The trial also compared Kytril with a Sandoz product, tropisetron, which prevented vomiting among 74.5 per cent of patients.

The study also showed only 2 per cent of patients taking Kytril vomited more than twice, compared with 12.7 per cent on tropisetron and 15 per cent on Zofran. About 41 per cent of patients expressed a preference for Kytril, compared with 16.9 per cent for Zofran, and 15.4 per cent for tropisetron. About 26 per cent expressed no preference.

Another trial in France, comparing the effect of a single 3mg intravenous dose of Kytril with 10 8mg intravenous and oral doses of Zofran over three days, suggested the two regimens had similar efficacy. SmithKline Beecham says the Kytril dose costs £36 in the UK, compared with £99 for Zofran over the three days.

The third trial, involving 359 patients, showed no difference in efficacy between the two drugs, comparing a single dose of Kytril and three 8mg doses of Zofran over five days.

"This data will give our marketing people something to get their teeth into," said Dr Paul Jenner, SmithKline Beecham pharmaceuticals director of central nervous system medical affairs. "In an increasingly cost-conscious healthcare environment, this sort of data is extremely important."

SmithKline Beecham has been disadvantaged in its commercial battle with Glaxo because of its poor development record. Glaxo has launched Zofran in nearly every world market, while Kytril has not even been licensed in the US, the world's largest market.

Cazenove in link-up with Kiln Cotesworth Fund

By Richard Lapper

CAZENOVE, the stockbroker, has linked up with another Lloyd's investment trust, following the failure of efforts earlier this week to raise capital for the Nelson Lloyd's Trust.

Cazenove will make a market in shares of the Kiln Cotesworth Corporate Capital Fund, a £10m fund launched by an offer for subscription by Baring Brothers last month.

Kiln is listing the trust on the Stock Exchange where shares will trade on a matched bargain basis. Kiln will provide capacity of between £18m and £18.5m to 22 syndicates, eight of which are managed by the Kiln and Cotesworth managing agencies. Other syndicates are managed by Murray Lawrence, Wren and Wellington. Kiln and Cotesworth members agency will merge to form Kiln Cotesworth next January.

Cazenove linked up with Lazard Brothers and the Octavian Group, one of the Lloyd's market's largest agencies, to raise £60m for the Nelson Lloyd's Trust.

A pathfinder prospectus was issued but the fund's directors said last Tuesday that they had been unable to obtain sufficient backing from institutional investors and withdrew the scheme.

NEWS IN BRIEF

FENNER: Of the 22.9m shares offered by way of rights, 97 per cent have been taken up.

HEADWAY has acquired Stansted Furniture Company for £40,503. Additional plant used by the company has been purchased from three other parties for a further £34,500 cash.

WAVERLEY MINING intends to make an offer for the shares in Westralian Resource Projects it does not already own. Offer will be made on the basis of three Waverley for every 10 Westralian. The maximum number of new Waverley shares which could be issued is 7.83m representing 38.5 per cent of the enlarged Waverley capital.

WHITBREAD now owns or has received valid acceptances to its bid totalling 94.85 per cent of Whitbread Investment Company.

WSP HOLDINGS: Valid acceptances in respect of the offer for AB Consulting have been received in respect of 8.46m ordinary shares (80.84 per cent).

Correction
Warner Howard

Warner Howard purchased the rental agreements of Gerald Gamble Group and not the whole company as reported in Friday's edition.

Ashanti set for February flotation

By Kenneth Gooding, Mining Correspondent

ASHANTI GOLDFIELDS of Ghana will be ready to be floated on the London Stock Exchange by late February, according to Mr Sam Jonah, managing director. He says that only a collapse in the gold price below $350 a troy ounce could jeopardise the company's return to international stock markets after an absence of 24 years.

He does not expect the gold price to fall that far but, if it did, markets might not be receptive to a "pure gold" company float.

Ashanti itself is reasonably insulated against gold price falls because it has hedged about 30 per cent of its production two years ahead at an average of $400 an ounce while retaining most of the potential benefit from a price rise, says Mr Jonah.

Ashanti, which owns one of the world's richest gold deposits, had cash production costs of $170 an ounce in its last financial year, among the lowest in the industry. "With a gold price of $350, Ashanti shareholders are very comfortable," Mr Jonah suggests.

The company announced in September that the Ghanaian government would provide about 25 per cent from its present 55 per cent holding in Ashanti for the float which analysts suggest might value the gold company at up to $1bn.

Morgan Grenfell, the merchant bank, and James Capel, the stockbroker, have been appointed advisers and Mr Jonah now says that Ashanti is considering taking advantage of the float to raise new money.

Lonrho, the UK-based conglomerate undergoing a management upheaval and which owns 45 per cent, continues to insist that mining is one of its core businesses and that it does not intend to sell even one share in Ashanti.

About 5 per cent of Ashanti will be made available to the fledgling Ghana stock exchange to give it a boost.

A return from the wilderness

Alan Cane on how Philip Swinstead has begun to build up Comac

MR PHILIP Swinstead at 50 has clear objectives for his next half decade in the computing services business. "In five years", he says, "I intend to hand over to another chief executive. I shall become a non-executive director, and one of the managers I've recruited will take my place."

He was speaking late last month as Comac, the small employment agency for computer specialists of which he is chairman, announced the £18.5m acquisition of Computer Search and Selection (CSS), the privately held largest independent contract agency for freelance computer consultants. The enlarged group will be the UK market leader with some 1,200 contractors in place.

Mr Swinstead says: "My aim is to make money in terms of building a business showing capital growth and a rising share price. I have not taken a penny in salary from Comac so far and my salary in this new, quite big, company will be only £75,000 a year."

Mr Swinstead became chairman of Comac earlier in the year after spending £750,000 to take a 30 per cent stake in the company. The move attracted attention in the City as it signalled Mr Swinstead's return to the information technology business after two years in the wilderness (or, more accurately, fishing on his estate in Perthshire, Scotland).

Founder of Systems Designers, he was chief executive of SD-Scicon, one of the UK's largest systems companies, until its acquisition in 1991 by EDS of the US after a lengthy takeover battle.

The UK company was in difficulties after provisions on a series of contracts forced it into a £20m loss. Mr Swinstead insists the damage had been repaired by the time of the acquisition, but ruefully admits: "We learned that we could not walk on water."

'The agency market is growing. It is fragmented just like the software business in the 1970s when there were thousands of small software houses'

The contrast between SD-Scicon, which had peak revenues of £256m and prestigious defence and financial sector contracts, and the enlarged Comac group with combined revenues of about £65m from "body-shopping", as the agency business is sometimes slightingly described, could not be more marked.

Agencies like Comac have thousands of freelance, self-employed computer consultants on their books. They earn between £45,000 and £55,000 a year. Comac's sales team tries to match the contractors' skills to its customers' requirements.

"It is very basic, very low-tech", Mr Swinstead says. "It was a real shock to my system after selling software to the Ministry of Defence."

However, he has long recovered from the bitterness he felt over EDS' victory. Furthermore, he believes he has purchased a foothold in the future of computing services. "The agency market is growing. It is fragmented just like the software business in the 1970s when there were thousands of small software houses".

His intention is to build a services company with three legs: a strategic information technology consultancy, a systems integration company and an agency. He sees the agency as the key. As conventional software and services companies grew they acquired acres of office space to house thousands of programmers. When the recession struck, even the best managed found themselves shedding staff and taking charges against often unlettable office space.

Mr Swinstead's idea is to build a company along the lines of an engineering contractor. "The key commercial and technical staff are employed by the company but when you win a bid you pull in freelance consultants from outside. These are skilled people but we can pull them in and that gives us a price advantage. We will not be paying for their downtime and it will give us considerable flexibility."

"The prime contractor on a construction project employs the key commercial, technical and project management people but its does not employ the riveters."

The acquisition of CSS gives Comac economies of scale. With turnover last year of £53m and pre-tax profits of £2m, it is a well-run company but it has built up £2.8m of debt through rapid expansion.

The existing management, including Mr John Sharpe, the co-founder and chief executive, will stay on to run the agency business. Mr Swinstead believes it will benefit from the broader experience of the computing services he and Mr Ian Scoggins, also an SD-Scicon director, can bring to the business. Mr Paul Davies, formerly with SD-Scicon and more recently managing director at GEC Easems, has been appointed to the board and will run the non-agency side.

"In five years' time I would like to think Comac will be a systems company with a very good strategic information technology arm – that will provide us with public visibility and the high level contacts we need to sell our services. The agency side will be less publicly visible."

Even Cap Gemini Sogeti of France, Europe's largest computing services company, started as a "body shop". So there are sound precedents for Mr Swinstead's belief in his strategy. Last month he backed his judgments, putting a further £750,000 of his own money into the merger.

Kleinwort Emerging asset value 103.9p

Kleinwort Emerging Markets Trust, which came to the market in July, reported a net asset value per share of 103.9p fully diluted at September 30.

For the period from incorporation on June 21 to September 30 net revenue amounted to £19,000 for earnings of 0.07p.

The directors reiterated that the objective of achieving long-term capital growth meant it was unlikely dividends would be significant but that any dividend would be in the form of a single payment in August each year.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Akzo (Netherlands)	Nobel Industries (Sweden)	Chemicals	£1.35bn	Another Swedish takeover
Unilever (UK/Netherlands)	Bertolli (Italy)	Food	est £61m	Olive oil purchase
Champion Technology (HK)	Multitone Electronics (UK)	Telecoms equipment	£21.5m	Recommended cash offer
CSR (Australia)/Yung Ming Precast (Taiwan)	CSR Taiwan Humes (Joint Venture)	Building materials	£17m	CSR boosting Taiwan presence
Rentokil (UK)	Corporacion Internacional Ratin/CIDA (Spain)	Pest control	£3.7m	Total cash consideration
Norsk Hydro (Norway)/	EniChem Agricoltura (Italy) (Joint Venture)	Agrichemicals	n/a	Fertiliser sides merged
Asea Brown Boveri (Sweden/Switzerland)	Unit of Renault (France)	Robotics	n/a	Also planning Renault Jnt Venture
Asea Brown Boveri (Sweden/Switzerland)	Elektro-Praga (Czech Republic)	Electrical engineering	n/a	Wiring accessory move
Grand Metropolitan (UK)	Roush Products (US)	Food	n/a	Buy via Pillsbury
IDV (UK)	Champagne Laurent Perrier (France)	Drinks	n/a	GrandMet arm taking 21%

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 14.11.93: Pool purchase price £/MWh	Final Prices for Trading on 17.10.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.49	18.01	18.01
0100	31.10	18.01	18.01
0130	31.20	18.04	18.04
0200	31.20	21.20	24.03
0230	21.49	21.70	24.59
0300	21.41	21.78	24.59
0330	21.02	21.70	24.59
0400	21.02	21.20	24.03
0430	20.59	21.13	23.86
0500	20.52	21.03	23.86
0530	20.10	18.11	18.11
0600	20.10	18.07	18.07
0630	20.70	18.07	18.07
0700	20.70	18.07	18.07
0730	20.70	20.89	23.72
0800	20.91	20.89	23.72
0830	20.91	21.01	23.84
0900	21.22	21.01	23.84
0930	21.29	21.55	24.78
1000	21.50	23.11	25.94
1030	21.29	23.11	25.94
1100	23.83	27.38	30.21
1130	23.83	28.33	31.16
1200	23.83	31.74	34.57
1230	30.35	31.74	34.57
1300	30.35	31.74	34.57
1330	30.35	31.74	34.57
1400	27.47	27.29	30.12
1430	18.45	21.95	24.78
1500	18.18	18.32	18.32
1530	18.09	18.18	18.18
1600	18.18	18.18	18.18
1630	18.76	18.18	18.18
1700	28.90	21.95	24.78
1730	31.59	21.95	24.78
1800	31.59	23.11	25.94
1830	31.59	28.57	31.40
1900	28.90	36.56	39.39
1930	28.09	36.56	39.39
2000	27.47	36.56	39.39
2030	23.58	32.10	34.93
2100	22.89	27.66	30.49
2130	22.48	23.11	25.94
2200	21.57	23.11	25.94
2230	18.45	21.50	24.33
2300	18.18	18.11	18.11
2330	18.09	18.06	18.06
2400	18.09	18.04	18.04

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456780 between 8:30am and 6:15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 13.11.93: Pool purchase price £/MWh	Final Prices for Trading on 16.10.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.52	17.99	17.99
0100	21.57	17.99	17.99
0130	22.48	18.52	18.52
0200	21.57	28.88	31.36
0230	21.57	21.50	23.88
0300	21.57	28.88	31.33
0330	21.57	28.88	31.36
0400	18.45	21.83	24.31
0430	18.11	18.18	18.18
0500	18.11	18.07	18.07
0530	18.11	18.05	18.05
0600	18.09	18.07	18.07
0630	18.05	18.55	18.55
0700	19.07	25.10	27.58
0730	24.05	30.47	33.11
0800	27.48	33.17	36.02
0830	25.09	37.89	40.76
0900	27.49	37.72	40.58
0930	27.49	31.11	33.91
1000	34.01	31.08	33.78
1030	34.01	30.79	33.48
1100	34.01	29.87	32.52
1130	28.91	29.77	32.40
1200	28.91	29.72	32.33
1230	28.91	29.57	32.14
1300	28.91	29.42	31.96
1330	29.79	25.81	28.31
1400	25.70	25.77	28.25
1430	24.78	25.76	28.24
1500	24.78	25.78	28.24
1530	24.78	25.75	28.23
1600	33.44	19.54	19.54
1630	32.25	29.34	31.75
1700	48.21	28.82	31.35
1730	46.99	29.32	31.85
1800	44.18	29.46	32.12
1830	33.14	35.01	38.01
1900	30.29	38.14	41.17
1930	26.97	37.70	40.62
2000	25.75	33.67	36.28
2030	25.02	25.78	28.27
2100	24.48	25.51	27.98
2130	24.24	25.51	27.98
2200	24.24	25.38	27.88
2230	24.24	25.10	27.57
2300	24.24	21.59	24.07
2330	18.21	18.17	18.17
2400	18.11	18.10	18.10

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456780 between 8:30am and 6:15pm Monday to Friday.
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Mazda sees first loss in 18 years

By Michiyo Nakamoto in Tokyo

MAZDA says it expects to make a pre-tax loss of Y32bn ($301m) this year – its first for 18 years – after posting a pre-tax loss of Y15.5bn for the first six months to September.

The Japanese carmaker blamed weak demand at home and in Europe, as well as the sharp appreciation of the yen, as sales slipped by 22 per cent to Y876.08bn from Y1,129.56bn in the same period last year.

The company, which said it would pass its dividend, made a pre-tax profit of Y3.06bn at the same stage last year.

Mazda, which is 25 per cent owned by Ford Motor of the US, suffered a setback in most of its markets. Exports fell 25 per cent while in Japan, the company saw a 17 per cent decrease in factory unit sales.

While demand in Asia, Africa, central and South America was firm, shipments to North America, Europe and the Middle East were sluggish, mainly due to weak demand in Europe and the strong yen.

The restructuring plan Mazda drew up in June is having to be reviewed in the worsening trading environment. Under the original plan, costs were to be reduced by 30 per cent and personnel by 1,500 over the next three years.

However, the company is bringing forward plans to restructure operations and the number of staff to be reduced through natural wastage over the next three years has been increased to 3,000.

Fuji Heavy Industries, which makes Subaru cars, also reported a sharp deterioration in its business performance.

The company suffered a pre-tax interim loss of Y19bn on sales down 11 per cent to Y356.60bn from Y399.86bn. It is passing its interim dividend. The loss came despite sales of fixed assets.

Fuji was hit hard by the fall in domestic sales of mini cars and exports of passenger cars, which fell by about 20 per cent. Its financial position also worsened due to the need to redeem equity warrant bonds.

Meanwhile, Suzuki, the largest maker of mini cars in Japan and the world's third largest maker of motorcycles, managed to report interim pre-tax profits of Y9.18bn on sales that were 0.2 per cent down to Y517.72bn.

Suzuki's performance was helped by strong demand for its motorcycles overseas and for its recreational vehicles in Japan.

The company is forecasting pre-tax profits for the full year to next March of Y18bn on sales of Y1,020bn. The forecast compares with profits of Y30.5bn on sales of Y1,053bn for fiscal 1992. This would be the first annual sales drop for Suzuki and the third decline in profits.

Canadian offer by Alusuisse

By Bernard Simon in Toronto

ALUSUISSE-LONZA Holding, the Swiss industrial group, is seeking to expand its packaging interests with a C$555m (US$414m) bid for Lawson Mardon Group of Toronto.

Alusuisse, advised by Baring Brothers, has offered to buy all Lawson's A and B shares at C$14 each. Cragnotti and Partners, the Italian investment group, which currently has a 52.6 per cent voting interest in Lawson, equal to 32.7 per cent of the equity, has agreed to tender its shares.

The C$14-per-share price offered by Alusuisse is well above the C$9.38 at which Lawson was trading on the Toronto stock exchange prior to the announcement.

Although Lawson has a relatively highly-geared balance sheet, with debts of C$350m, Alusuisse is understood to be attracted by its strong market share in folding cartons, flexible packaging and labels.

Alusuisse said the proposed acquisition was in line with its focus on growth in packaging and chemicals.

CS Holding pays SFr416m to raise stake in Bank Leu

By Ian Rodger in Zurich

CS HOLDING, the parent company of the financial services group built around Credit Suisse, has bought an additional 15 per cent stake in Bank Leu, Switzerland's fourth largest bank, for SFr416m ($278m) in shares and cash.

The move, which raises CS's holding in Leu to 70 per cent, is aimed at strengthening its capital base and consolidating its position as Switzerland's largest financial services group. CS said it also plans to make a five-for-one share split.

The Leu shares were bought from BK Vision, a specialised investment company controlled by Mr Martin Ebner's BZ banking group, at the rate of one CS share and SFr720 in cash for every six Leu shares.

At a stroke, this makes BK Vision, which is known for trying to influence the management of companies in which it takes positions, one of the largest shareholders in CS Holding with roughly 3 per cent.

It is already the largest shareholder in Union Bank of Switzerland (UBS), with approximately 5 per cent of the equity worth some SFr1.5bn.

CS will make an offer this morning to the remaining Leu minority shareholders on the same terms, which represent a 15 per cent premium over Friday's closing price of SFr592 per Leu share.

CS acquired its current 54 per cent stake in Bank Leu through a hostile takeover bid in 1990, ironically, beating out a competitive bid from the BZ group.

Since then, the process of integrating the bank, which has both a large international private clientele and a local commercial business in the Zurich area, into the CS group has proceeded slowly.

Apple to license Mac software

By Louise Kehoe in San Francisco

APPLE Computer has decided to license to other computer makers the software that makes its Macintosh personal computers unique, Mr Michael Spindler, Apple's new chief executive, told analysts.

The move comes after years of debate within Apple about allowing competitors to access its software "crown jewels". It reflects Mr Spindler's new strategy to broaden Apple's markets by abandoning the strict proprietary software approach that the company has adhered to for more than a decade.

Apple has yet to say to whom it will license the Macintosh software, but potential licensees are expected to include companies designing products around the new PowerPC microprocessor, co-developed by IBM and Motorola, upon which Apple will base its next generation of computers.

Another sign of Apple's strategy shift is expected today when it is due to announce a product, code-named Houdini, that enables the Macintosh to run applications programs designed for the Microsoft Windows operating system.

Austria launches privatisations

By Patrick Blum in Vienna

AUSTRIA has unveiled an ambitious privatisation programme under which a number of industrial companies will be floated on the Vienna bourse and other stock markets around the world.

The proposals allow for the break-up of the Austrian Industries' state holding company, from which Voest-Alpine Technologie and Voest-Alpine Stahl will be formed.

Along with the rest of Austrian Industries' constituents, these two are to be merged with OIAG, AI's parent, by the end of this year.

The share sales get under way this month with the offer of 25 per cent in VA Eisenbahnsysteme, the railway controlling systems manufacturer. Some 49 per cent of this company was privatised last year.

The next move – in the second half of 1994 – will be the flotation of 51 per cent in Voest-Alpine Technologie. The government hopes to raise Sch5bn ($420m) from the sale.

The shares will be sold in Vienna and internationally. S.G. Warburg will be the lead manager.

The 30 per cent private sector shareholding in OMV, the oil and chemicals group, will be raised to above 50 per cent next year, with full privatisation planned for 1995.

The state's 74 per cent stake in SGP Verkehrstechnik, the railways rolling stock manufacturer, will be offered to Siemens of Germany, which already owns 26 per cent.

Stakes of up to 100 per cent will be offered in Austria Mikrosysteme, the custom microchips maker, Vamed (hospital construction and maintenance), VA Bergtechnik (tunnelling and mining machinery), VA Steinel (transport machinery), Schoeller-Bleckmann (stainless steel tubes and drilling equipment), and Austria Technologie & Systemtechnik (printed circuits).

The government has made it clear that Boehler-Uddeholm (high quality steel) will need a Sch2.5bn capital injection before it can be privatised.

The schedule here suggests a 1996 flotation. Austria Metall, the heavily loss-making aluminium manufacturer, will be restructured in 1995 prior to a privatisation issue.

In order to prepare the ground for the privatisation issues, OIAG will receive Sch5bn ($418m) in interim financing as a loan from the government. The financing will eventually be paid back from privatisation revenues.

Asarco to swap Medimsa holding

By Kenneth Gooding, Mining Correspondent

ASARCO, the US mining and metals group, seems to have solved the problem of what to do with its shareholding in Medimsa, a Mexican copper company, that it has been trying to sell for some time.

Instead, the group is to swap its 28.3 per cent stake in Medimsa for a 23.6 per cent holding in Grupo Mexico, Medimsa's publicly-traded parent and the largest non-ferrous metals mining group in Mexico.

There will then be an international offering of Grupo Mexico shares in which Asarco will sell some of its holding. It will also grant some of Grupo Mexico's existing shareholders an option to buy about 8 per cent of the Mexican company at the peso equivalent of $1.40 a share. If exercised, the option would bring Asarco $87m.

Mr Richard Osborne, Asarco's chairman, said the immediate financial impact on his company is likely to be immaterial.

Konica to reduce workforce by 10%

By Robert Thomson in Tokyo

KONICA, the photographic materials and business machine maker, reported a 32.6 per cent fall in pre-tax profit to Y3.38bn ($318m) for the half year to September and said that its workforce would be cut by almost 10 per cent over the next two years.

Sales for the period slipped by 8.6 per cent to Y168.2bn, as the yen's appreciation hurt export earnings. There was an operating loss of Y652m, its first in 24 years, but success in foreign exchange dealings helped the company to report a pre-tax profit.

Konica intends to cut its workforce from 5,500 to 5,000 by March 1996, but said this would be achieved through hiring fewer graduates, and not by making workers take early retirement, which is still controversial in Japan.

For the full year, Konica expects a pre-tax profit of Y5bn, compared to Y7.6bn last year, on sales of Y340bn, down just over 1 per cent.

NEWS DIGEST

Paramount battle to move to courtroom

By Martin Dickson in New York

THE $10bn takeover battle for Paramount Communications will shift to the courtroom tomorrow when QVC Network, having increased its hostile offer to $90 a share on Friday night, will ask a Delaware court to create a "level playing field" between it and counter-bidder Viacom.

QVC is asking the court to remove "lock-up" provisions of Viacom's friendly merger agreement with Paramount.

The provisions would give Viacom a $100m consolidation prize if a rival bidder wins the battle, as well as the right to buy 20 per cent of Paramount's stock on vary favourable terms.

QVC made its increased offer on Friday night conditional on the Delaware Chancery Court removing these barriers to its bid.

The company is now offering $90 a share in cash for 51 per cent of Paramount and stock worth around the same amount for the other 49 per cent.

Viacom is offering $85 a share in cash for 51 per cent and stock for the remaining 49 per cent.

Overnight options start in Sydney

THE Sydney Futures Exchange is to begin trading "overnight options" today on SYCOM, its after-hours screen dealing system, writes Nikki Tait in Sydney.

The product is based on the SFE's 10-year and three-year Treasury bond futures contracts, and aims to give bondholders an additional means of hedging overnight risk.

The overnight options will only be valid for the duration of a single SYCOM session – from 4.40pm on one day, to 4am on the next – thus distinguishing them from other existing option contracts.

Mitsui Fudosan suffers downturn

MITSUI Fudosan, a leading Japanese real estate developer, saw sharp falls in profits for the half year to September due to sluggish earnings by its office leasing division, writes Emiko Terazono.

Unconsolidated pre-tax profits fell by 45.3 per cent to Y9.5bn ($89.5m) on a 13.4 per cent decline in revenues to Y343.4bn. After-tax profits fell 18.6 per cent to Y7.4bn.

The office leasing unit saw lower revenues, due to thinner profit margins and a loss of Y5bn caused by a rise in cancellations of contracts, and the occupancy rate for its offices totalled 93.4 per cent at end-September, down from 95.7 per cent at end-March.

Skandia plans banking move

SKANDIA, one of Sweden's two leading insurers, intends to start banking operations early next year and has applied to the government for authorisation, writes Christopher Brown-Humes in Stockholm.

Its banking unit will be called Skandiabanken and will backed by SKr100m in capital resources. Skandia said it wanted to widen the range of its financial services to include loans and deposits. It is also looking to boost its position in the personal pensions market.

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Solution found to Bank of Scotland tax poser

EVERYTHING was going swimmingly in the undated sterling Eurobond market until a couple of weeks ago, when someone decided to kick up a fuss about tax.

This sector of the international bond market had been growing steadily over the past two years because it provided UK financial institutions with a cost-effective way to improve their capital ratios.

At the same time, pension funds and insurance companies were keen to buy these high-yielding and long-dated assets because they could write their business against them. They were also popular with retail investors seeking to preserve their income as interest rates fell.

Last year, a new structure was devised to cut the cost of issuing these securities further, but at the same time safeguarding their eligibility to classify as tier-two capital.

Under the new structure, a call option, usually 10 or 20 years after issue, and a simultaneous increase or "step-up" in the coupon have been incorporated into the bonds.

For example, if the issue came at a spread of 150 basis point over the yield on the 20-year UK government bond (gilt) and the issuer does not call the bonds, the coupon is re-set for a further five years at the higher of either the existing coupon or the yield on the then five-year gilt plus 250 basis points.

Investors have been willing to pay a little more for these so-called "stepped-coupon" bonds because, although the bonds are undated, they are perceived to have a finite maturity. This is because the nature of the call option makes it highly likely that the issuer will exercise the option, with the prior consent of the Bank of England.

Since these bonds offered benefits to the issuers and the investors, they performed well in the secondary market and their yield spreads over gilts tightened considerably.

From June last year to August this year, just over £1.3bn worth of the bonds were issued by a range of UK financial institutions, mainly high-street banks and building societies. However, even Bupa, the private medical insurer, hopped on the bandwagon with a £100m issue in April this year.

Despite all the benefits which the new structure offered, it also created a fiscal problem for taxable investors because the potential rise in the coupon on the bonds meant that the bonds were caught by a UK tax law designed to prevent "coupon-washing".

This is a form of tax avoidance whereby taxable investors sell their bonds just before the coupon is paid to a non-taxable investor and buy them back afterwards.

Coupon-washing was outlawed in the UK in 1988, when the Income and Corporation Taxes Act was passed. Section 717 (2) of the Act states which bonds are taxed neutrally under the Accrued Income Scheme (AIS) and which are not.

Those which are permitted neutral tax treatment under the AIS are bonds either with a fixed rate of coupon, or with a coupon fixed over a published base rate or a published price index. All other bonds are "variable-rate" instruments.

Under the AIS, both the buyer and the seller of bonds which are eligible for neutral tax treatment are taxed on the interest that has accrued during their respective period of ownership of the bonds.

By contrast, if variable-rate bonds are traded between interest payment dates, both the buyer and the seller pay tax on the interest accrued on the date of sale. As a result, accrued interest on these bonds is taxed twice.

Since the interest rate paid on "stepped-coupon" bonds can change during the life of the bonds, they are classified as "variable-rate" bonds and are therefore subject to penal tax treatment.

The tax position, which was included in the prospectuses of the issues launched since June 1992, did not put off investors from buying the bonds because they assumed that the Inland Revenue would tax them on a "just and reasonable" basis.

Therefore, Hoare Govett and Salomon Brothers had a nasty shock during the launch last month of a £200m offering for the Bank of Scotland when a handful of banks and institutions expressed their fears about the tax implications.

The sudden anxiety attack prompted a sharp fall in prices of similar bonds in the secondary market and threatened to derail the new issue for the Bank of Scotland.

However, with the help of the best tax lawyers in the country, within 24 hours the lead managers came up with a solution which was acceptable to the issuer and to investors.

The Bank of Scotland's issue is made up of a series of fixed-rate notes for tax purposes while maintaining the perpetual nature of the security for regulatory purposes. If the issuer does not call the first note, it will be exchanged for another note with a new fixed-rate coupon.

Although the incident now seems like a storm in a teacup, the Bank of Scotland's issue has helped the market regain its composure because it provides a blueprint for future bond issues.

It also offers a way out for the outstanding bonds which have been caught by the legislation. However, since changing the terms of the bonds would be time-consuming and expensive, the issuers would rather the Inland Revenue took the bonds out of the variable-rate category.

The Inland Revenue is understandably reluctant to tinker with such a clearly-worded piece of anti-tax avoidance legislation. "It would be difficult to draw and hold the line hatween securities which should be taken out of the provision and those which should be in the provision," says an official at the Inland Revenue.

Antonia Sharpe

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
CTII Overseas Finance(a)§	131.25	Nov.1998	4.25	100.00	-	-	Merrill Lynch International
Tribasa Toll Road Trust 1(b,p)	110	Dec.2011	10.50#	100.00R	10.500	-	Salomon Brothers Intl.
Banco Real	60	Nov.1998	8.50#	99.456R	8.710	+425 (Wi 3Yr)	ING/West Merchant Bank
Jindal Strips(d,f)§	55	Mar.1999	4.25	100.00	-	-	Kleinwort Benson
BAT Capital Corp.	500	Nov.2003	6.50	99.87R	6.518	+75 (Wi 10yr)	CSFB/ Goldman Sachs
Landesbank Rheinland-Pfalz	500	Dec.1998	5.25	99.775R	5.302	+22 (4¾%-98)	Goldman Sachs Intl.
Nafinsa, Grand Cayman‡	100	Dec.1998	(g)	100.00R	-	-	Kidder Peabody Intl.
Bayerische Vereinsbank(h)‡	100	Nov.1998	(h)	109.90	-	-	Kidder Peabody Intl.
Banco Inter-Atlantico	60	Nov.1996	9.00#	99.486R	9.200	+470 (4¾%-96)	Banque Indosuez
Banco Itamarati	50	Nov.1996	9.125#	99.705R	9.240	+475 (4¾%-96)	Samuel Montagu & Co.
Citi Investments	50	Nov.1994	7.875#	100.81R	7.022	+350 (Oct94)	Citibank International
Federal Airports Corp.	200	Nov.2003	6.375	99.34R	6.467	+65 (Wi 10yr)	CS First Boston
LB Schleswig-Holstein	200	Jan.1997	4.50	99.25R	4.774	+20 (4¾%-96)	Daiwa Europe
Trinity Trust, Class 1(r)	17.76	Nov.1996	7.72	100	7.7945	+424(Yr Bill)	Citibank International
Trinity Trust, Class 2(r)	16.62	Sep.1996	7.72	100	7.7945	+424(Yr Bill)	Citibank International
Trinity Trust, Class 3(r)	15.68	Oct.1996	7.72	100	7.7945	+424(Yr Bill)	Citibank International
D-MARKS							
CCCI	300	Dec.2003	6.60	99.00R	6.640	+75 (6%-03)	Morgan Stanley Frankfurt
WGZ Bank Intl. Finance	100	Nov.1999	5.75	101.00	5.550	-	WGZ Bank
SGZ(f)	150	Nov.2003	6.125	101.50	-	-	Trinkaus & Burkhardt
State of Baden-Württemberg(f,l)	500	Nov.2013	6.20	99.815R	-	-	Morgan Stanley Frankfurt
STERLING							
CARS No. 3(e)‡	180	Nov.1998	(e)	99.92R	-	-	Goldman Sachs Intl.
Hydro-Quebec	200	Dec.1998	6.50	98.65R	6.828	+60 (7¼%-98)	SG Warburg Securities
Alliance & Leicester B/S‡	200	Nov.2000	(m)	99.15R	-	-	Samuel Montagu & Co.
Nationwide B/S(f)	125	Mar.2018	8.625	99.448R	8.688	+130 (8¾%-17)	Baring Bros./S. Montagu
Nationwide B/S(n)	75	Nov.2000	13.50	127.794R	8.135	+145 (9%-00)	Baring Bros./S. Montagu
YEN							
Deutsche Bank Finance	20bn	Dec.1998	3.00	100.25R	2.945	+28 (4.6%-98)	Sanwa International
GMAC Intl. Finance(j,p)‡	20bn	Sep.1997	(j)	100.00R	-	-	LTCB International
GMAC Intl. Finance(f)	10bn	Mar.1999	3.75	100.058R	-	-	LTCB International
SBAB‡	10bn	Dec.1998	(o)	103.00	-	-	Nikko Europe

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
FRENCH FRANCS							
Andalucia	1.3bn	Dec.2003	6.25	97.77R	6.561	+44 (6¾%-03)	Banque Paribas
Electric Power Development Co	1.1bn	Dec.2000	6.00	100.00R	6.000	+20 (6¼%-00)	Banque Paribas
Depfa Finance	3bn	Dec.2003	6.25	99.348R	6.340	+25 (6¾%-03)	BNP/ SBS France
Crédit Local de France‡	500	Dec.2000	(k)	100.00R	-	-	CCF
CANADIAN DOLLARS							
Canada Mortgage & Housing	1bn	Dec.1998	6.00#	99.825R	6.041	+15 (6½%-98)	RBC Dominion Securities
Province of British Columbia	350	Nov.2023	7.875	97.11R	8.135	+48 (8%-23)	ScotiaMcLeod
Pemex(f)	100	Mar.1999	7.875	98.70R	7.98	+195 (6½%-99)	Deutsche Bank London
Crédit Local de France	250	Jan.2004	7.00	99.36R	7.092	+20 (7½%-03)	IBJ International
European Investment Bank	100	Dec.2008	7.00	99.45R	7.061	+18 (7½%-03)	Wood Gundy
GUILDERS							
De Nationale Investeringsbank	400	Dec.1999	5.75	99.96R	5.760	+20 (c)	ING Bank
General Electric Capital Corp.	400	Nov.2002	6.00	99.85R	6.022	+20.2 (c)	SBC Nederland
AUSTRALIAN DOLLARS							
Commonwealth Bk. of Australia	100	Dec.1996	5.50	100.64	5.264	-	CBA London
PESETAS							
Office National du Ducroire	10bn	Dec.1998	8.00	101.00	7.751	-	Bco. Negocios Argentaria
SWISS FRANCS							
City of Vienna	100	Jan.1999	4.00	102.25	3.502	-	Credit Suisse
Rohm Co.(q)*¶	250	Dec.1997	0.625	100.00	-	-	UBS
LUXEMBOURG FRANCS							
Republic of Finland(p)	2.5bn	Jun.2001	6.625	101.40	6.36	-	BGL

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. ¶With equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price. a) Convertible into China Travel Intl. Investment (HK) shares at HK$3.66. FX: 7.7271HK$. Callable from 18/11/96 at par subject to 150% rule. b) Securitised deal. Average life: 8.5 years. c) Spread is over the interpolated yield curve. d) Amount is subject to $6.5m overallotment option. Conversion price: Rs352. FX: 31.37Rs/$. Callable from 1/4/97, subject to 130% rule, at par. Puttable on 1/4/97 at par. e) Coupon pays 3-month Libor + 0.325%. Average life: 4.2 years. Simultaneous launching of £14.6m mezzanine notes. Tap option of up to £200m in amounts of £20m until 23/11/95. f) Short 1st coupon. g) Coupon pays 6-month Libor + 0.25%: minimum 6¼%, maximum 10%. h) Unlisted block trade. Coupon pays 3-month Libor + 2%. i) Convertible into FRN on 28/11/95 & 28/11/01 with coupon of 6-month Libor - 0.05% and Nov.2008 maturity. j) Coupon pays 3-month Libor + 0.45%. k) Coupon pays 7.25% fixed annual in 1st year and 18.2% - 2 x 6-month Pibor thereafter. l) Puttable annually from 22/11/05 at par rising to 108.80% at redemption. m) Coupon pays 3-month Libor + 0.15%. n) Fungible with the outstanding £125m. Plus 1 day accrued interest. o) Coupon pays 6-month Libor + 0.62%. p) Long 1st coupon. q) Fixing: 22/11/93. r) 3-tranche securitised deal. Irregular amortisation. Average life 8 months. Quarterly coupon (semi-annual yield shown). Callable when pool balance < 6% of original pool balance. Note: Yields are calculated on ISMA basis.

RISK AND REWARD

Study says consumers could benefit from use of derivatives

DERIVATIVE instruments are still an unfamiliar concept to most ordinary consumers in the UK. But the growth of the wholesale derivative markets in recent years has had a considerable, if indirect, impact on the retail market.

The most obvious development for UK consumers has been the ready supply of fixed-rate mortgages at a time of low interest rates. By using the options market, mortgage lenders have been able to offer mortgage holders the chance to lock in lower interest rates and fix their expenditure over a period of several years, without themselves taking on exposure to fluctuations in interest rates.

But are consumers really getting a good deal? Mr Andrew Dobson, an independent consultant and former investment banker, thinks not. In a study called *Derivatives for the Retail Client*, published by the Centre for the Study of Financial Innovation, an independent think-tank, he argues that derivative instruments should play a greater role in reducing risk in the retail market.

In the case of fixed-rate mortgages, for example, terms are not favourable: the fixing tends to be of short duration, and with high penalties for cancellation. Further, the consumer can only purchase the fixed-rate mortgage from the existing mortgage provider.

Consumers, especially in the UK, have learnt the risks of mortgage debt the hard way: many saw interest rates rise steeply at the end of the 1980s while the value of their properties dipped.

While the advent of partial fixing is an improvemant, Mr Dobson advocates something more radical: that consumers should enter into two transactions, a loan and a hedge against changes in interest rates, which tbey could shop around for, and which could be refinanced or adjusted independently. He believes it would be more efficient to "separate funding from interest rate management", as is done in the capital markets.

Further, he suggests the creation of a financing instrument or futures contract based on an index of house prices, which would enable home-owners to protect themselves against house price movements. Such an instrument, he said, would also interest expatriates temporarily out of the housing market or people saving to buy houses.

Mr Dobson also suggests that derivatives have applications in the field of personal pensions, given the current trend away from salary-based company pensions towards personal pensions. There is a shift of risk away from the company towards the individual, yet, Mr Dobson notes, the individual does not have access to derivative products to help manage those new risks.

Another potential application put forward by Mr Dobson is the hedging of consumers' commodity-type expenditure, such as electricity, gas and telephone bills.

He points out that while those in employment have a natural hedge in the form of income likely to respond to inflation, those with fixed incomes may wish to hedge these expense streams. Sucb a product could take the form of a price guarantee instrument, which did not require full payment up-front, or fully prefunded energy units.

So why, given that the technology already exists, has a retail market for derivatives not yet developed? According to Mr Dobson, one reason is that the wholesale markets, where derivative instruments are developed, are isolated from the retail side of the business.

More fundamental is the fear that the risks involved in derivatives could lead to large-scale losses for consumers, possibly because tbay have been sold the wrong products.

However, Mr Morton argues that "the techniques and equipment already exist to make such trades no harder to negotiate and record, and no more dangerous to the client, than traditional lending or deposit-taking transactions".

But given the fears of regulators about the risks involved in derivatives in the wholesale market, it is hard to imagine them embracing the notion of placing these complex and potentially dangerous instruments in the hands of consumers.

Derivatives for the Retail Client; Centre for the Study of Financial Innovation, 18 Curzon Street, London W1Y7AD; Tel 071-493 0190

Tracy Corrigan

PUBLIC NOTICES

البنك الأهلي التجاري

THE NATIONAL COMMERCIAL BANK

(A GENERAL PARTNERSHIP — C.R. 1588)

BALANCE SHEET
DECEMBER 31, 1992

(In thousands of Saudi Riyals)

ASSETS	1992	1991
Cash and balances with SAMA	3,043,250	3,916,407
Due from banks	15,817,360	24,452,404
Trading securities	11,045,050	14,003,852
Loans and advances, net	25,901,682	25,910,192
Investment securities, net	3,151,214	4,495,448
Fixed assets, net	1,436,432	1,469,149
Other real estate	2,225,956	2,224,624
Other assets	1,087,383	1,633,647
TOTAL ASSETS	63,708,327	78,105,723
LIABILITIES AND PARTNERS' EQUITY		
LIABILITIES		
Deposits:		
Customers' call, time and saving	48,873,814	65,577,537
Other deposits	2,865,647	2,971,047
Total deposits	51,739,461	68,548,584
Due to banks	3,861,804	6,913,865
Other liabilities	1,657,943	2,558,976
Total liabilities	57,259,208	78,021,425
PARTNERS' EQUITY		
Capital	6,000,000	30,225
Statutory reserve	449,119	32,775
Retained earnings	-	21,298
Total partners' equity	6,449,119	84,298
TOTAL LIABILITIES AND PARTNERS' EQUITY	63,708,327	78,105,723
CONTRA ACCOUNTS	52,981,432	108,246,036

General Manager

Salem Ahmad Bin Mahfouz

AUDITORS' REPORT

To the Partners of The National Commercial Bank.

We have audited the accompanying balance sheet of The National Commercial Bank (a general partnership) (the "Bank") as of December 31, 1992 and the related statements of income, changes in partners' equity, and source and application of funds for the year then ended, including the related notes 1 to 17. These financial statements, which have been derived from computerized accounting records maintained in Arabic in the Kingdom of Saudi Arabia, have been prepared by the Bank in accordance with the provisions of the Banking Control Law and submitted to us together with all the information and explanations which we required. Our audit was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary to obtain a reasonable degree of assurance to enable us to express an opinion on the financial statements.

In our opinion, the financial statements, taken as a whole, present fairly, in all material respects, the financial position of the Bank as of December 31, 1992 and the results of its operations, the changes in partners' equity and the source and application of funds for the year then ended in conformity with acceptable accounting standards appropriate to the circumstances of the Bank.

For Whinney Murray & Co.
Dr. Abdullah Abdulrahman Baeshen
Registration No. 66

For Issa El Ayouty & Co.
Accountants and Auditors
Salah-Eldin Ibrahim El-Ayouty
Registration No. 32

September 20, 1993.
Rabie Thani 4, 1414 A.H.

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1992

(In thousands of Saudi Riyals)

OPERATING INCOME	1992	1991
Loans, advances, placements, foreign exchange and other services	2,616,625	4,615,936
Valuation of trading securities	239,865	171,318
Trading securities	322,274	746,761
Investment securities	285,783	308,253
Other	18,093	24,642
Total operating income	3,482,640	5,866,910
Less: Cost of funds	1,538,139	3,934,023
Income before operating expenses	1,944,501	1,932,887
OPERATING EXPENSES		
Salaries and other staff related expenses	846,190	771,783
Depreciation of fixed assets and other real estate	97,761	84,615
Other general and administrative expenses	449,167	404,649
Donations and charitable contributions	42,481	41,808
Total operating expenses	1,435,599	1,302,855
Income before provisions	508,902	630,032
Provision for credit losses	(81,081)	(470,815)
Net income (1991: before unusual item)	427,821	159,217

STATEMENT OF CHANGES IN PARTNERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1992

(In thousands of Saudi Riyals)

1992	Capital	Statutory reserve	Other reserves	Retained earnings/ (accumulated losses)
Balance at beginning of the year	30,225	32,775	-	21,298
Increase in capital	5,937,000	-	-	-
Transfer from statutory reserve	32,775	(32,775)	-	-
Net income	-	-		427,821
Transfer to statutory reserve	-	449,119		(449,119)
Balance at end of the year	6,000,000	449,119	-	-
1991				
Balance at beginning of the year	30,225	32,775	909,520	(137,919)
Net income before unusual item	-			159,217
Unusual item				
Provision for decline in value of investments	-	-	-	(909,520)
Transfer from other reserves	-	-	(909,520)	909,520
Balance at end of the year	30,225	32,775	-	21,298

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1992

(In thousands of Saudi Riyals)

FUNDS PROVIDED	1992	1991
Net income (1991: before unusual item)	427,821	159,217
Unusual item	-	(909,520)
Charges not requiring current outlay of funds:		
Depreciation of fixed assets and other real estate	97,761	84,615
Transfer from other reserves	-	909,520
Increase in capital	5,937,000	-
Increase in:		
Deposits	-	511,451
Due to banks	-	974 939
Other liabilities	-	143,302
Decrease In:		
Cash in hand	-	314,390
Statutory deposits with SAMA	71,230	-
Other deposits with SAMA	938,121	-
Due from banks	8,635,044	6,234,737
Trading securities	2,958,802	-
Loans and advances	8,510	-
Investment securities	1,344,234	-
Other assets	546,264	232,982
Total Funds Provided	20,965,087	8,655,633
FUNDS UTILIZED		
Additions to fixed assets	65,044	202,517
Decrease in:		
Deposits	16,809,123	-
Due to banks	3,052,061	-
Other liabilities	901,033	-
Increase in:		
Cash in hand	136,494	-
Statutory deposits with SAMA	-	382,194
Other deposits with SAMA	-	86,470
Trading securities	-	6,225,034
Loans and advances	-	1,669,269
Investment securities	-	26,217
Other real estate	1,332	63,932
Total Funds Utilized	20,965,087	8,655,633

INTERNATIONAL CAPITAL MARKETS

ITALIAN GOVERNMENT BONDS

Good response expected to 30-year sale

DESPITE concerns about the Italian government bond market's volatility, political instability in Italy, and its poor inflation record, tbe signs are that the first auction by Rome of 30-year government bonds tomorrow will be well received by traders.

In the grey market, the new 30-year paper was trading at a yield spread of 50–55 basis points over 10-year government bonds at the end of last week. By comparison, in the French government bond market, 30-year bonds trade at a spread of nearly 70 basis points above 10-year bonds.

This means that the new Italian bonds could look rather expensive for investors.

International investors often look at foreign debt ratings (even when judging domestic debt): France is rated triple-A by both Moody's Investors Service and Standard & Poor's, while Italy is rated AA by S&P and has slipped, rather controversially, to A1 according to Moody's.

Investors, tberefore, may baulk at paying a higher yield spread over 10-year bonds for 30-year Italian debt than they would for French.

Witb 10-year Italian bonds yielding around 9.2 per cent, this means a yield of around 9.7 per cent for the new 30-year.

The spread between the two is about the same as in the Dutch government bond market, where 10-year bonds yield 5.8 per cent and 30-year bonds 6.35 per cent.

No other European country has 30-year government bonds (the longest-dated gilts mature in 2027), but there are 30-year Ecu bonds.

So why is the spread so tight in the grey market? The main reason seems to be lack of supply.

The size of the first auction is only L2,000bn, and the novelty of tbe issue appears to have attracted droves of traders ahead of the auction.

However, grey market prices are oot always reflected in auction results, according to traders.

Many fund managers are likely stand back until prices bave had a chance to settle down.

"We are very bullish (on the Italian market) and we like the idea of a 30-year," said Mr Andy Seaman, a bond fund manager at Guinness Flight in London. "Inflation will remain low and real yields are among the highest around."

However, Mr Seaman says he will "wait to see what happens" before buying any paper, arguing that off-the-run 10-year bonds appear to offer better value currently.

The Italian government bond market has been one of tbe success stories of the year, posting total returns of around 28 per cent for tbe first 10 months of the year, according to JP Morgan's government bond index.

But the market has also been highly volatile and it lost substantial ground earlier this month, underperforming other markets when they were all dragged down by US Treasury market weakness. This could discourage some investors from buying 30-year paper, particularly if it is tightly priced.

"The inflation story in Italy is still that its track record is quite poor, and 30-year stock will be extremely volatile and risky because these fears will be reflected," said Mr Jouni Kokko, an international economist at S.G. Warburg.

At the end of last week, the Italian market perked up again, buoyed by several pieces of long-awaited good news; in particular, the budget approval by tha senate, and the approval of new rules on refunding withholding tax to foreign investors.

For the Italian government, the expected success of the 30-year deal will be another step in its efforts to bring its heavy debt burden under control. One target has been to extend the average maturity of its debt, which is currently just three years. The Republic launched a successful $5.5bn global offering of 10-year and 30-year bonds in September.

According to a Treasury official, only 26 per cent of Italian debt is long-term and fixed-rate.

Despite the likely success of the 30-year issue, and a short burst of good news, the chances are that the market will remain volatile. With elections likely early next year, and political scandal still rife, investors in 30-year bonds could find that they get a rather bumpy ride.

However, given the general view that European interest rates are set to fall further, and Italy will be one of the main beneficiaries – and given that yields approaching double-digits are increasingly hard to come by – there are good reasons for buying the paper, even if not at the first auction.

The Treasury is promising to provide enough paper to ensure liquidity, and the initial L2,000bn is "certainly not enough," said the official.

He said that he was encouraged by the strong trading of the new bonds in the grey market, "but we will do more anyway."

Tracy Corrigan

US MONEY AND CREDIT

Attention riveted on Senate Nafta vote on Wednesday

THE FATE of the North American Free Trade Agreement bangs on a cliff-hanger vote in the US House of Representatives on Wednesday – and so, too, could sentiment in the US stock and bond markets.

Defeat for Nafta, which will create a free trade area between the US, Mexico and Canada, could prompt a sharp sell-off in the American securities markets.

It is easy to see why stock markets should be upset by a "no" vote. The preponderance of evidence suggests that Nafta will boost US growth, and corporate America, which usually knows which side its bread is buttered, strongly supports the treaty.

Failure of Nafta would also throw into grave doubt the chances of agreement in the Uruguay round of global trade liberalisation talks, which in turn could set off a round of beggar-my-neighbour trade protectionist measures.

But why should the credit markets, which thrive on slow economic growth, because this usually means low inflation, be concerned at a Nafta defeat?

First, because this would represent a severe setback for the Clinton administration, which has belatedly lobbied hard for Nafta, and would cast doubt on the administration's ability to push through the rest of its policy agenda. The market does not like political uncertainty.

Second, Messrs John Lipsky and Robert DiClemente of Salomon Brothers, suggest that rejection of Nafta, accompanied by rising protectionist sentiment, would actually boost the bond market's long-term inflation fitters.

"Stalled progress in breaking down trade barriers also would invite new pessimism about long-term productivity trends, making it harder for the Federal Reserve to keep inflation down."

As it is, Wall Street last week regained some of its nerve about inflationary trends, following the bond market's sharp sell-off the previous week in the face of good US economic news.

The market took heart from news of a 0.2 per cent drop in the producer price index during October – far better than the 0.3 per cent increase widely expected – while a 0.4 per cent rise in the consumer price index was in line with market forecasts. Many analysts expect the consumer index to rise by a modest 3 per cent, or possibly less, next year.

However, the positive impact of these figures was largely offset by some unsettling statistics: a 1.5 per cent jump in the Commodity Research Index, led by increases in grain and soya-bean contracts, and then on Friday a 1.5 per cent rise in October retail sales – the biggest gain in six months.

The retail report initially pushed bond prices lower but the market rallied later on Friday, when analysts decided the figures were due more to higher prices, already factored into their inflation expectations, than a sudden splurge in consumer spending. Sentiment was also helped by a drop in the University of Michigan's consumer confidence index.

The upshot was that the benchmark 30-year Treasury issue closed on Friday night with a yield of 6.15 per cent, down from 6.20 at the end of the previous week.

Tomorrow, the Federal Reserve's policy-making Open Market Committee will hold one of its regular six-weekly meetings, amid speculation that the somewhat stronger signs of growth might encourage it to adopt a "bias towards tightening", while not actually raising interest rates.

The Fed funds rate is expected to remain for a considerable time yet at 3 per cent, where it has been for the past 14 months.

That, along with the relatively humdrum nature of this week's statistical news (housing starts and industrial production) means the market's attention will be riveted on Wednesday's Nafta vote.

Martin Dickson

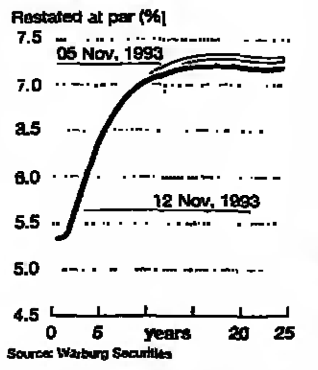
UK GILTS

Little change seen before Budget

TRADERS will be watching out for a spate of economic data this week which will affect demand for gilts. However, they are expecting only subdued price movements ahead of the government Budget on November 30.

UK gilts yield

Restated at par (%)



Source: Warburg Securities

Many investors are hoping for a further steady upward movement in gilt prices after the market rally on Friday, which saw long-dated gilts gain about 1 point on the back of favourable data about UK trade and theories that inflation pressures were subdued.

This Wednesday sees publication of the retail prices index for the year to last month, which City economists think will show a rise of 1.7 per cent, compared with the 1.8 per cent increase in the year to September. The consensus view on the underlying inflation rate – the year-on-year change in the RPI excluding mortgage interest rates – is that it will turn out to be 3.2 per cent after 3.3 per cent in the previous month.

Also on Wednesday, traders will take in data for retail sales volumes. In September, they rose by 0.5 per cent on the month to stand 3.5 per cent higher than a year earlier, lending weight to evidence that consumer spending is the driving force behind the recovery. The consensus forecast is for a slightly smaller monthly increase in October of 0.3 per cent.

Last Friday's trade data – even with the doubts about the reliability of the new European Union system for collecting import and export figures – generally encouraged hopes that export growth was fairly strong while import expansion appears to be slowing down.

UK export values were at record levels in August, continuing a strong trend since the start of the year, while on the basis of the new figures, underlying import volumes have barely increased since sterling's devaluation 14 months ago. That led to higher expectations that inflationary pressures were likely to be fairly modest for some time, due to only weak demand.

Mr Simon Briscoe, UK economist at S.G. Warburg Securities, said: "The data are consistent with the recovery profile being biased towards exports and with price pressures staying weak."

Mr Nigel Richardson, an economist at Yamaichi, said the gilt market was also cheered by news that – even though manufacturing output increased by a seasonally adjusted 0.4 per cent in September – the recovery was insufficient to prevent a 0.1 per cent decline in manufacturing output between the second and third quarters.

That strengthened the view of many gilt investors that factory activity was not about to weaken, but at the same time was still some way short of picking up in a way that would generate inflation.

Helped by generally encouraging data on US inflation, long-dated gilt yields fell on the week on a par basis while short-dated yields held roughly constant. The 8.75 per cent Treasury bond due in 2017 had a yield of 7.13 per cent on Friday night, compared with 7.27 per cent the week before. The yield of the shorter dated 7.25 per cent Treasury bond maturing in 1998 was quoted at 6.03 per cent at the close of last week, down from 6.15 per cent seven days previously.

Indications that the economy is continuing on a recovery path – and with little sign that price pressures are increasing – may strengthen the chances that Mr Kenneth Clarke, the chancellor, will risk a fiscal tightening in the Budget on November 30 without worrying that this will bold back the upturn.

Peter Marsh

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg day	Chg week	Yield
[illegible]						

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]				

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem
[illegible]					

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Margin above six-month offered rate for US dollars. C.cpn=Current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant premium over current share price. Bond warrant ex yield-exercise yield at current warrant price.

Closing prices on November 12

THE WEEK AHEAD

ECONOMICS

Recovery poser for Clarke near Budget

THIS week's string of UK economic releases provides Mr Kenneth Clarke, the chancellor, with his last chance to gauge the strength of the recovery ahead of the Budget.

The big imponderable is whether or not he will cut interest rates on or around budget day. Wednesday's retail prices index may give a clue. The headline inflation rate has risen for four consecutive months, albeit from the lowest level for a generation.

The underlying rate, which excludes mortgage interest payments, has also crept upwards prompting some commentators to suggest that another round of monetary easing now would be precipitate.

Official retail sales figures are also out in the UK this week. In September they rose 0.5 per cent on the month to stand 3.5 per cent up on a year ago, lending weight to evidence that consumer spending is the driving force behind the recovery. The consensus forecast is for a slightly smaller monthly increase in October of 0.3 per cent.

In the US, the big event of the week is the crucial Nafta vote in the House of Representatives. Rejection of the treaty would severely disrupt progress on Gatt and US-Japan bilateral trade agreements.

The Federal Open Markets Committee meets in Washington tomorrow. In spite of a 0.4 per cent rise in the October consumer prices index, it is assumed that the Fed will maintain a neutral stance on monetary policy.

The rest of the week's economic releases follow. The figures in brackets are the median of analysts' forecasts from MMS International, the financial information company.

Today: US, October industrial production (up 0.6 per cent), October capacity utilisation (82 per cent), September business inventories (unchanged), October Atlanta Fed index, auto sales Nov 1-10, truck sales Nov 1-10.

Japan, October WPI (down 0.1 per cent on month, down 3.1 per cent on year).

Germany, Five Wise Men publish autumn economic report, Bundesbank sets repo a day early.

Spain, October CPI (up 0.4 per cent on month, up 4.6 per cent on year).

Canada, September housing finance (up 2 per cent).

Tomorrow: US, FOMC meeting in Washington, Johnson Redbook week ended November 13.

Japan, September industrial production, shipments, October trade balance ($11.5bn surplus).

Germany, Bundesbank repo results announced in Frankfurt.

UK, October PSBR (£2.4bn).

Australia, September manufacturing prices.

Wednesday: US, House votes on Nafta; October housing starts (1.36m), October building permits.

Germany, Public holiday - markets closed; Bundesbank November monthly report released.

France, October INSEE survey on investments released; Bank of France reform to be relaunched.

UK, October RPI (up 0.2 per cent on month, up 1.7 per cent on year), excluding mortgage interest payments (up 3.2 per cent on year), retail sales (up 0.3 per cent on month, 3.4 per cent on year).

Canada, September manufacturing new orders (up 0.7 per cent on month), manufacturing shipments (down 0.3 per cent on month); September building permits (down 3.4 per cent on month), September department store sales (down 0.1 per cent).

Thursday: US, FOMC minutes of September 21 meeting released; Asia-Pacific Economic Co-operation conference in Seattle; initial claims week ending November 13 (349,000), state benefits week ended November 6, November Philadelphia Fed index, money supply data for week ended November 8.

Japan, October money supply (up 2.2 per cent on year), October broad liquidity.

Germany, Bundesbank council meeting.

France, day of protest in the public sector.

UK, Queen's Speech at the re-opening of parliament; Governor of Bank of England gives speech at LSE; October unemployment (down 5,000), September average earnings (up 3.5 per cent on year), September unit wage costs (down 0.3 per cent on year), October M4 (up 0.4 per cent on month, up 5.6 per cent on year), M4 lending (up £2.5bn), October building society net new commitments (£2.5bn).

Canada, September wage settlement increases (up 0.7 per cent).

Australia, September export prices.

Friday: US, September merchandise trade balance ($10bn deficit), merchandise exports ($38.4bn), merchandise imports ($48bn).

Germany, Mr Eddie George, governor of the Bank of England to speak at Frankfurt European Banking Congress.

France, August trade balance (FFr1bn), September industrial production (down 0.2 per cent on month), Q2 GDP detailed results.

UK, October GDP, revised (up 0.6 per cent on quarter, up 2 per cent on year), October non-EC trade balance (£0.9bn deficit).

Canada, September merchandise exports (up 0.5 per cent on month), merchandise imports (up 1 per cent on month), merchandise trade balance (C$899m surplus).

During the week: Germany, October WPI (down 0.1 per cent on month), October PPI (flat on month, down 0.3 per cent on year), October M3 (up 6.7 per cent).

Italy, September industrial production (down 0.3 per cent).

Emma Tucker

RESULTS DUE

SHARES in British Steel have more than doubled this year, reflecting relief that the group has been able to make price increases stick in the slowly recovering UK market. Analysts expect pre-tax profits today of about £10m in the six months to October, compared with a loss of £51m last time, and resumption of an interim dividend of 0.5p.

Most interest will focus on the progress of restructuring the European steel industry, with the company anxious to maintain maximum pressure on the UK government to seek the closure through the European Commission of less efficient capacity.

The City will be looking for confirmation from British Airways today that the airline is riding out the recession better than its main competitors. Pre-tax profits for the second quarter should be close to £170m, compared with £136m last year.

Almost as important will be the figures that show how much money each passenger is paying for a seat and the airline's costs per kilometre travelled by that passenger.

They will point to the effectiveness in beating off competition brought by the company's expensive refit of its business and first class cabins.

Interim results tomorrow from BAA, which operates the UK's biggest airports, should see pre-tax profits rise beyond £240m, compared with £226m last time, with the dividend rising to almost 7p from 6.25p.

Analysts will be keen to see how the company's retailing interests are faring. That part of its business is taking on an increasingly important role as parking and landing fees are set by airlines are tightly controlled by regulatory rules.

Commercial Union and General Accident are both expected to report substantial increases in profits when they post their results for the first nine months of 1993 this week.

Analysts expect GA to record pre-tax profits tomorrow of between £195m and £220m compared to a loss of £37m at the same stage last year.

CU on Wednesday is expected to register an increase to between £128m and £151m, compared to £8m last year. Increases in premium rates, especially in the UK and improved claims experience are the main reasons.

Cable & Wireless interim pre-tax profit forecasts are in the range £490m to £520m. At £500m, C&W would be 32 per cent ahead of last year (£378m), with earnings per share up to 10.9p from 9p (adjusted). But most of the increased profit is attributable to currency gains on its business in Hong Kong and the Caribbean.

Land Securities, the UK's biggest property company, is expected to report flat interim figures tomorrow. Analysts are looking for pre-tax profits of around £117m – half the £234m for the year ended March. A small rise in the dividend for the full-year is expected, but there might not be an increase in the interim, which was 6.3p last time.

De La Rue, the security printer and cash-handling machine group, is expected to report tomorrow that half-year profits have increased from £46m to between £48m–£55m. The City will be interested in any acquisition plans or whether – like Reuters – the group might consider handing back some cash to shareholders.

Storehouse, the clothing retail group comprising BHS, Mothercare and Blazer, is expected to report a more than a four-fold increase in interim profits on Thursday to about £14m. That compares with £3.1m last year, before exceptional costs of about £30m relating to the sale of businesses. The interim dividend is expected to be raised from 2.5p to 2.75p.

UK COMPANIES

TODAY
COMPANY MEETINGS:
Domestic & General, 18 St. Mary at Hill, E.C. 11.30
Lendu Hldgs., 3 Clanricarde Gardens, Tunbridge Wells, Kent, 12.00
London & Strathclyde Tst., Gartmore House, 16-18 Monument Street, E.C. 2.30
Tomorrows Leisure, Redworth Hall Hotel, Redworth, Durham, 12.00
BOARD MEETINGS:
Finals:
Fenner
Tadpole Technology
Interims:
Aitken Hume
BAA
Baring Stratton Inv. Tst.
British Airways
British Steel
Critchley
Cullens
De La Rue
EID Parry (India)
Ranold
Sidlaw
Vibroplant

TOMORROW
COMPANY MEETINGS:
Intereurope Technology Services, The Elizabethan Suite, Barrington House, 59-67 Gresham Street, E.C. 11.00
London & St. Lawrence Inv. Co., 190 The Strand, W.C. 11.30
BOARD MEETINGS:
Finals:
Ferraris
Moran
Tepnel Diagnostics
VTR
Interims:
Ascot Hldgs.
BOC
CML Microsystems
Capital House Intl. Growth
European Motor Hldgs.
F & C German Inv. Tst.
FKI
Kembrey
Marshalls
Wood (SW)

WEDNESDAY
NOVEMBER 17
COMPANY MEETINGS:
EFM Dragon Tst., 4 Melville Crescent, Edinburgh, 12.00
Five Oaks Invs., The Savoy Hotel, The Strand, W.C. 10.30
Regent Inns, The Princess Louise, 208 High Holborn, W.C. 4.00
BOARD MEETINGS:
Finals:
M & G Income Inv. Tst.
M & G Recovery Inv. Tst.
Interims:
Atreus
Cable & Wireless
Courtaulds
Electrolux
Essex Water
Heath (CE)
Jarvis Porter
Land Securities
Meyer Intl.
Portsmouth & Sunderland News.
Property Partnership
Regalian Properties
Suffolk Water
Volex
Vosper Thornycroft
York Waterworks
Young & Co's Brewery
Whitbread

THURSDAY
NOVEMBER 18
COMPANY MEETINGS:
Barratt Devs., Plaisterers Hall, London Wall, E.C. 2.30
Birkdale Grp., 52-54 Broadwick St., W. 11.00
Everest Foods, Heath Mill Road, Wombourne, West Midlands, 12.00
Lucas Inds., Birmingham Metropole House, N.E.C. Birmingham, 12.00
Norex, Norex Court, 195 Marsh Wall, E., 12.00
Raine Inds., The Assembly Rooms, Derby, 12.00
Throgmorton Dual Tst., 155 Bishopsgate, E.C. 12.00
Usborne, Daisy Hill, Burstwick, Hull, 12.30
BOARD MEETINGS:
Finals:
Bect Bros.
Glasgow Inc. Tst.
Natl. Australia Bank
Wespac Banking Corp.
Interims:
Brockhampton
Chester Waterworks
Ferranti
Grampian TV
Hardy Oil & Gas
Hogg Robinson
Locker (Thomas)
Martin Currie European Inv. Tst.
Merchant Retail
Porter Chadburn
RPH
600 Group
Shaw (Arthur)
Storehouse

FRIDAY
NOVEMBER 19
COMPANY MEETINGS:
Northern Ind. Improvement Tst., Washington Moat Hotel, Washington, 12.00
Renishaw, The Gables Inn, Falfield, Gloucestershire, 12.00
BOARD MEETINGS:
Finals:
Black & Edgington
City Merchants High Yield Tst.
Fidelity Japan OTC
F & C Eurotrust
Interims:
Black Arrow
Czech & Slovak Inv. Corp.
Lazard Select Inv. Tst.
MMI
TR Property Inv. Tst.

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

TODAY
Abbott Labs $0.17
Abbott Mead Vickers 3.2p
AMP (UK) 13% Bds. 2015 £650
Aon Corp. $0.45
Arcolectric 0.555p
Australian Agricultural A$0.1
Barclays Bk.8½% Uns. Cap. Ln. 86/93 £4.125
Do. 16% Uns. Cap. Ln. 02/07 £8
Brixton Estate 2.825p
Burndene Invs. 15% Uns. Ln. 07/12 £7.5
Chase Manhattan $0.3
Coca-Cola Amatil 7¼% Bds.'96 $361.25
Colgate-Palmolive $0.36
Conversion 9¾% 2006 £4.875
Do. 10% 1996 £5
Exchequer 13¼% Ln. '96 £6.625
Fairey 3.8p
Five Arrows Chile Fund $0.35
F & C Smaller Co's 6% (4.2% net) Pf. £2.1
Forth Ports Authority 3¼% Debt. £1.875
Hambros Inv. Tst. 5% (3½% net) Pf. 1.75p
Iceland 1.2p
Inter-American Dev. Bk 9¼% Ln. '15 £4.875
Republic of Italy 8½% Nts. '95 $950
Japan Dev. Bk 8¾% Gtd. Nts. '98 $431.25
JIB Group 2.5p
MAI 4.9p
Marsh & McLennan $0.875
NOVA Corp. Alberta C$0.06
Plantsbrook 1.1p
Roycott Intl. Fin. BV 11½% Gtd. Bds. '93 $115
Scholes 3.4p
Scottish American Inv. £2
S x L Corpn. 5.35% Nts. '96 Y535000
TSB Gilt Fd. Ptg. Red. Prf. 2.1p
Treasury 12¾% Ln. 1995 £6.375
Volvo Group Fin. Sweden AB 11% Gtd. Nts. '95 SKr1100

TOMORROW
Argos 2.35p
Arjo Wiggins Appleton 2.65p
Clinton Cards 1.6p
GMAC Australia (Fin) 14% Nts. '93 A$140
Jupiter Tyndall 4p
Linton Park 2.5p
Sharpe & Fisher 1.5p
Sheffield Insulations 1.8p
Tharsis 2p
Treasury 2% IL '94 £1.3537

WEDNESDAY
NOVEMBER 17
Anglia TV 2.86p
British Data Mngt. 3.25p
Drive Securities Class A FRN '96 £151
Do. Mezzanine FRN's '96 £181.18
Electricite de France 11¾% Gtd. Serial Ln. 2009/10/11/12 £293.75
Minorco SA $0.38
Natl. & Provincial Bldg. Soc. FRN '99 £152.28
Natl. Westminster Bank Junior Gtd. FRN $127.78
Nichirei 5% Bds. 2000 Y125000
Royal Bk of Scotland FRN '05 £75.62
Tweefontein Utd. Collieries R0.81
Treasury 9% Ln. 1994 £4.5

THURSDAY
NOVEMBER 18
Akzo NV Fl1.5
Do. Bearer Certs. Fl1.2
Aoi Advertising Promotion FRN '98 Y1897.5
Bank of Scotland (Gov. & Co.) Und. FRN's Prim. Cap. Nts. $178.89
Boxmore Intl. 1.25p
Britannia Bldg. Soc. FRN '95 £151.39
Chase Manhattan Sub. FRN 2000 $127.78
Dagenham Motors 1.75p
Elswick 0.15p
Korea-Europe Fd. $0.015
Do. (IDR to Br. Rep.) $7.5
Lloyds Bank Sers. B Var. Rate Nts. '98 £163.52
Midland Bk Sub. FRN's '01 £76.09
Natl. Westminster Bank Und. Var. Rate Nts. £168.56
Secure Tst. 4.5p
Treasury 10% 2004 £5
Wells Fargo Sub. Cap. FRN '96 $88.25
Woolwich Bldg. Soc. FRN '94 £152.41
Yule Catto 2.6p

FRIDAY
NOVEMBER 19
Anglo-Eastern Plants. 0.5p
Ash & Lacy 2.5p
Atlas Conv. Equipment 7p
Barratt Devs. 3p
Boot (Henry) 1.7p
Cap. & Reg. Props. 0.5p
Central Independent TV 11p
Cookson 3p
Derwent Valley 3.05p
Exchequer 8% 2002 £4.5
Expamet Intl. 1.25p
Glaxo 15p
Hickson Intl. 2.85p
Highlands & Lowlands Bhd. M$0.04
Intereurope Tech. Servs. 5.8p
Ipeco 1.3p
Kerry Group IR0.455p
Lendu 0.5p
Lloyd Thompson 4.7p
Medeva 0.9p
Merchants Tst. 2.65p
P & O 7¾% Cnv. Bds. '03 £38.25
PizzaExpress 0.5p
Regent Inns 2.25p
Rugby Group 2.85p
Spirax-Sarco Eng. 8.6p
Thorpe (FW) 1.87p
Throgmorton Dual Tst. 1.85p
Treasury 10½% '99 £5.25

SATURDAY
NOVEMBER 20
S & U 2.6p
Treasury 2½% IL '03 £2.2108
Do. 2½% IL 2009 £2.2108

SUNDAY
NOVEMBER 21
Thames Water Util. Fin. 10¾% Gtd. Bds. '01 £1050
Treasury 12½% 03/05 £6.25

CONFERENCES & EXHIBITIONS

NOVEMBER 16
Connections
Winding Wheel, Chesterfield, Derbyshire 10am to 5pm. Free. Business-to-business event to boost North Derbyshire economy.
* Display and exchange company literature
* Fifty trade opportunities on show
* Meet buyers from three of the area's major companies (by appointment)

Contact: Jim Bowker, North Derbyshire Chamber of Commerce 0246 211277
CHESTERFIELD

NOVEMBER 18
Achieving Superior Corporate Performance with I.T.
An Exclusive Seminar with Paul A Strassmann. A day with one of the world's most sought-after experts on I.T. investment and strategy. You will discover how to formulate, structure and gain acceptance for policies which contribute to the achievement of corporate objectives. Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020
LONDON

NOVEMBER 22
Taxation of Financial Instruments
All you need to know about the Taxation of Financial Instrument For Managing Interest Rate and Currency Risks - under discussion will be the 1993 Draft Legislation - the new foreign exchange rules - transitional and anti-avoidance rules - the capital market's view of the sweeping changes.
CONTACT: Evie Kinane, IBC Legal Studies and Services Limited.
Tel: 071-637 4383 Fax: 071-631 3214
LONDON

NOVEMBER 22
The Economics of Rail Privatisation
The conference will examine the opportunities and pitfalls in passenger service franchising, the new leasing market and management of the track infrastructure.
Enquiries: Financial Times,
Tel: 071 814 9770
Fax: 071 873 3975/3969
LONDON

NOVEMBER 22 & 23
The Fifth FT Petrochemicals Conference
The aim of this year's meeting is to provide a high-level forum to discuss the challenges currently facing the petrochemical industry and examine developments in key markets.
Enquiries: Financial Times
Tel: 071-814 9770
Fax: 071-873 3975/3969
LONDON

NOVEMBER 23
Europe in Focus: Planning for Business Success in an Unsettled Continent
A Henley Centre Conference
This conference is designed to help companies address central organisational and marketing issues in a troubled, post-Maastricht Europe. A Henley Centre guide to strategy-optimisation.
Tel: 071 353 9961 (Siamack Salari)
LONDON

NOVEMBER 23
Delegation of authority - sharing out responsibility
How family businesses delegate authority influences the capability of the firm. This evening seminar addresses the purpose of delegation, what to delegate, how to create a challenging work environment, how to motivate and making delegation a part of corporate culture.
Contact Diane Deacon, Centre for Family Business, 071-486 5888.
LONDON

NOVEMBER 23
Teleworking - The Government Views
Launch seminar of the Teleworking Special Interest Group, supported by the Department of Trade and Industry. (This advertisement sponsored by Wiley and Sons Publishers of "Teleworking Explained" edited by Mike Gray)
Contact Q. Love, Roarke Associates.
Fax: 071 221 3818
LONDON

NOVEMBER 23-25
Light Rail '93
The International Conference and Exhibition on Electrifying Urban Public Transport. Included in the event will be the latest in electric technology and electric vehicle technology developments.
Enquiries: Stan Ankrett - Centre Exhibitions Tel: 021 780 4141 (Ext 2680)
BIRMINGHAM

NOVEMBER 24
THE NEW NORTH EAST - THE WINNING LOCATION FOR BUSINESS
Queen Elizabeth II Conference Centre, London
An afternoon presentation outlining the current developments and opportunities available in the North East of England. Speakers include Sir George Young, Minister for Housing, and Chris Oalt, British Airways.
Contact Tyne and Wear Development Corporation on 0727 845376
LONDON

NOVEMBER 26
Activity-Based Cost Management & Business Process Improvement
A three-hour Management Briefing of interest to Finance and Operational Directors in Manufacturing and Service sectors. Theme: problems stemming from conventional cost information, opportunities for business-improvement, organisational and technology implications, applying ABCM.
Contact: Barbara Smith on 0705 - 230280
LEEDS

DECEMBER 2/3
Strategies for cost reduction in the new era
This UKOOA/DTI conference will consider the findings of a cross-industry initiative which has examined ways to make significant reductions in future development costs on the UKCS.
Contact: Conference Department, The Institute of Petroleum
Tel: 071 636 1004 Fax: 071 255 1472
LONDON

DECEMBER 7
Tax Treaties
This conference will explain the latest developments concerning treaties and what strategic planning opportunities they provide. Bruce Lassman will examine the US/Netherlands Treaty which is expected to be ratified this year. Other issues include: news from the OECD on the model tax convention, recent UK treaties and treaty interpretation. Contact: Vicki Goffin, IBC Legal Studies and Services Ltd.
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

DECEMBER 7-8
European Distressed Debt Seminar
Experts at the forefront of this innovative market will discuss: Developments and Opportunities in Trading Bank Debt; Corporate Restructuring in Europe; Legal Issues and Solutions; Provisioning and Valuation of Distressed Loans: Borrowers' and Investors' Position.
Contact: Karen Broe Pedersen, Euromoney
Tel: 071 779 8831 Fax: 071 779 8835
LONDON

DECEMBER 7-8
Electronic Data Interchange - Using EDI for Business Success in the 90's
Few organisations exploit EDI to its full potential - yet those which do find successful implementation of EDI brings competitive advantage. Building on the experience of these organisations, this seminar presents a practical guide to EDI exploitation and points to best practices leading to success.
Contact Unicom, Tel: 0895 256484
Fax: 0895 813095
LONDON

DECEMBER 7-8
Quick Response in the Supply Chain
This seminar provides senior managers with an understanding of Quick Response concepts and the developments of long term partnerships between customers and suppliers. Speakers from a range of industries, opinion formers and case studies explain how leading edge logistics operations have been adapted to respond to the challenge of Quick Response.
Contact Unicom, Tel: 0895 256484
Fax: 0895 813095
LONDON

DECEMBER 7 & 8
Second City of London Central Banking Conference
Chris Stals, Jan Pleaderleith, Phillipe Mouton, Manuel Guitian, Rei Masunaga, Robert Guy and Rachel Lomax contribute to this the second Cityforum and Central Banking conference supported by the World Gold Council.
Information from: Marc Lee
Tel: 0225-466744 Fax: 0225-442903
LONDON

DECEMBER 9
Know Your Performance Essentials of Benchmarking
A practical one day seminar/workshop from the UK's No 1 specialists. Practical case exercises, successful case studies.
Contact Patricia Donnard, EMF Intelligence Service,
Tel: 071-487 5665 Fax: 071-935 1640
LONDON

DECEMBER 9
The UK Economic Recovery
Key drivers for business planning in the mid 1990s
The Henley Centre's annual economic conference follows hard on the heels of the budget, giving delegates the opportunity to hear the Centre's assessment of short and medium-term prospects for the UK Economy. Cost £325 + VAT. Contact: Anna Harman Tel. 071 353 9961
LONDON

DECEMBER 9/10
Trade and project finance in Asia
Examining financing sources available for companies operating in Asia including multi-lateral and development aid; Japan loan aid; project finance trends and EC investment policies. Case-studies from the power, transport and communications sectors.
Contact ICOM Conferences: 0226 299072
LONDON

DECEMBER 13-14
Understanding UNIX and Open Systems
This two day management seminar will enable you to widen your knowledge of products, standards, protocols and terminology within the UNIX and Open Systems environment. Newly added to the December presentation is a comparison between UNIX and WINDOWS NT.
Contact: Peter Barnes, The Informatics Resource Centre. Tel: 081 871 2546
LONDON

DECEMBER 13-17
The JIT/KAIZEN Workshop
See how to improve quality, boost productivity by up to 50%, by implementing KAIZEN in a 'live' factory. 5 days' intensive hands-on experience for senior managers in world-beating production techniques. "Excellent value" (Aeroquip Ltd). Contact: Paul Hancock, Kaizen Institute of Europe.
Tel: 071-713 0407 Fax: 071-713 0403
BEDFORDSHIRE

DECEMBER 14-15
Personal Information Management:
The Professional and Organisational Dimensions
Enabling and User Technologies; Using PIM Tools such as Personal Digital Assistants. The corporate context of PIM is presented alongside case studies of commercially available and near-to-market software. Prestige seminar & exhibition hosted by US Embassy, London. Contact Unicom,
Tel: 0895 256484 Fax: 0895 813095
LONDON

DECEMBER 14-15
Information Highways
An intense two day analysis of advances in networking to support business processes and communication needs of enterprises. Reviews: systems implemented across a diversity of networking technologies; client-server, multimedia; network management; data warehousing; technical presentations; product evaluations and user case studies. Hosted by US Embassy. Contact Unicom,
Tel: 0895 256484 Fax: 0895 813095
LONDON

DECEMBER 15
London School of Economics
The London School of Economics is running a one-day course on 15 December 1993 called "Enforcing Regulations: Compliance-seeking Strategies for the Nineties". This course will interest professional regulators, managers of regulated industries and their advisers. Details from LSE Short Courses Office
Tel: 071 955 7227 Fax: 071 955 7676
LONDON

DECEMBER 1 & 2
Doing Business with Spain
The monetary, budget and labour policies of the new Government will be examined as well as important questions on Europe's future and the conditions for monetary and political union.
Enquiries: Financial Times
Tel: 071 814 9770
Fax: 071 873 3969
MADRID

DECEMBER 2 & 3
The Days: Biosciences & Healthcare
Innovative new projects in Biosciences & Healthcare will be presented to investors, corporate partners and venturers. THE DAYS are an EC Sprint programme initiative in collaboration with EVCA's European Seed Capital Fund Network.
BRUSSELS

DECEMBER 6
Investment Opportunities in Brazil for US Pension Funds
NEW YORK

DECEMBER 14 & 15
The Outlook for Natural Gas in the 1990s
Enquiries: Financial Times
Tel: 071 814 9770
Fax: 071 873 3969
VIENNA

INTERNATIONAL

NOVEMBER 29 & 30
Sub-Saharan Oil & Minerals
CAPE TOWN

JANUARY 24-25 1994
The Economist Roundtable with the Government of Spain
MADRID

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NETHERLANDS (continued)

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWEDEN (continued)

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

Prices supplied by Telekurs

CANADA

TORONTO

4 pm close November 12

Quotations in cents unless marked $

[illegible]

MONTREAL

4 pm close November 12

[illegible]

Total Sales 49,429,144 shares

INDICES

NEW YORK

DOW JONES	Nov 12	Nov 11	Nov 10	Nov 9	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3684.51	3662.43	3683.55	3640.07	3697.64 (2/11)	3241.95 (20/1)	3697.64 (2/11/93)	41.22 (2/7/32)
Home Bonds	109.17	109.13	108.97	108.94	109.77 (18/10)	103.49 (11/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1752.07	1734.98	1741.39	1725.36	1752.07 (12/11)	1453.84 (4/1)	1752.07 (12/11/93)	12.32 (8/7/32)
Utilities	224.95	223.97	225.68	225.09	256.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3707.42 (3700.43) Low 3648.74 (3638.40) (Theoretical) Day's High 3680.65 (3679.76) Low 3682.43 (3658.80) (Actual)

STANDARD AND POOR'S	Nov 12	Nov 11	Nov 10	Nov 9	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	465.39	462.64	463.72	460.33	469.50 (15/10)	429.05 (8/1)	469.50 (15/10/93)	4.40 (1/6/32)
Industrials¶	538.62	534.96	535.39	530.47	538.75 (12/11)	498.48 (26/4)	538.75 (12/11/93)	3.62 (21/6/32)
Financial	43.86	43.57	44.03	44.02	48.40 (28/9)	39.69 (8/1)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Composite	257.57	256.08	256.57	254.97	260.48 (15/10)	236.21 (8/1)	260.48 (15/10/93)	4.46 (25/4/42)
Amer Mkt. Value	479.60	477.98	476.70	476.02	484.28 (2/11)	395.84 (8/1)	484.28 (2/11/93)	29.31 (9/12/72)
NASDAQ Composite	779.32	778.96	776.50	769.84	787.42 (15/10)	645.87 (26/4)	787.42 (15/10/93)	54.87 (31/10/72)

	Nov 5	Oct 29	Oct 22	year ago (approx.)
Dow Industrial Div. Yield	2.80	2.77	2.79	3.20
	Nov 10	Nov 3	Oct 27	year ago (approx.)
S & P Industrial div. yield	2.40	2.41	2.42	2.66
S & P Ind. P/E ratio	28.69	28.61	28.51	27.72

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Amer Barric	14,879,600	30⅛	+ ⅜
RJ Nabisco	8,871,000	7¼	+ ⅛
Dun&Bradstreet	7,833,700	66⅞	+ ¼
Telefonos	7,082,200	55½	+ 1⅞
Philip Morris	5,318,900	59	+ 2¼
Blockbuster	4,704,600	30⅝	+ ¼
Stone Cont	3,641,300	10⅛	+ 1⅜
LTV Corp	3,321,500	14¼	+ ⅛
Merck	3,198,100	[illegible]	[illegible]
IBM	3,197,200	51⅞	[illegible]

TRADING ACTIVITY

† Volume (Millions)	Nov 12	Nov 11	Nov 10
New York SE	322,317	283,824	283,371
Amex	18,838	17,780	18,814
NASDAQ	(a)	318,740	309,854
NYSE			
Issues Traded	2,648	2,656	2,688
Rises	1,211	812	1,194
Falls	834	1,110	880
Unchanged	603	634	614
New Highs	[illegible]	[illegible]	[illegible]
New Lows	[illegible]	[illegible]	[illegible]

CANADA

TORONTO	Nov 12	Nov 11	Nov 10	Nov 9	1993 HIGH	1993 LOW
Metals & Minerals	3184.67	3153.98	3069.88	3081.26	3184.07 (12/11)	2743.21 (21/1)
Composite	4262.80	4231.26	4203.53	4251.28	4262.80 (12/11)	3275.80 (21/1)
MONTREAL Portfolio	2025.62	2027.41	2022.24	2014.31	2027.41 (11/11)	1720.97 (21/1)

[illegible]

The dates for N American Indices to last Friday's FT should have been Nov 10,9,8,5, not as shown.

World indices

[illegible]

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 25 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Friday, November 12, 1993

	Stocks Traded	Closing Prices	Change on day
NKK Corp	10.7m	252	+1
Nippon Steel	10.4	330	+12
Sumitomo Mtl Min	4.4m	830	+1
Sumitomo Mtl Ind	4.2m	800	+2
Kawasaki Steel	3.8m	323	+5

	Stocks Traded	Closing Prices	Change on day
Matsushita E Ind	3.9m	1450	+30
Hitachi	3.8m	811	+12
Mitsubishi Heavy	3.7m	649	+12
Fujitsu	3.2m	815	+14
The Daiei Inc	3.2m	1518	+60

FINANCIAL TIMES SURVEY

TEXAS

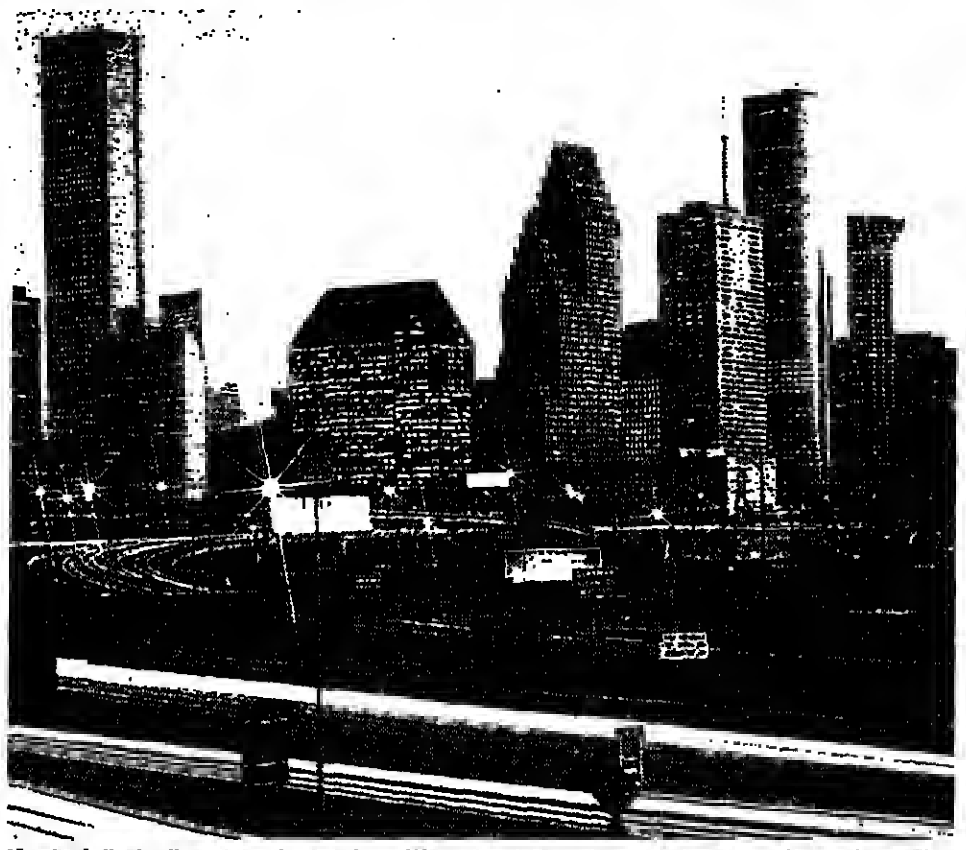
High-tech industries: Sector is an engine of growth.... Page II

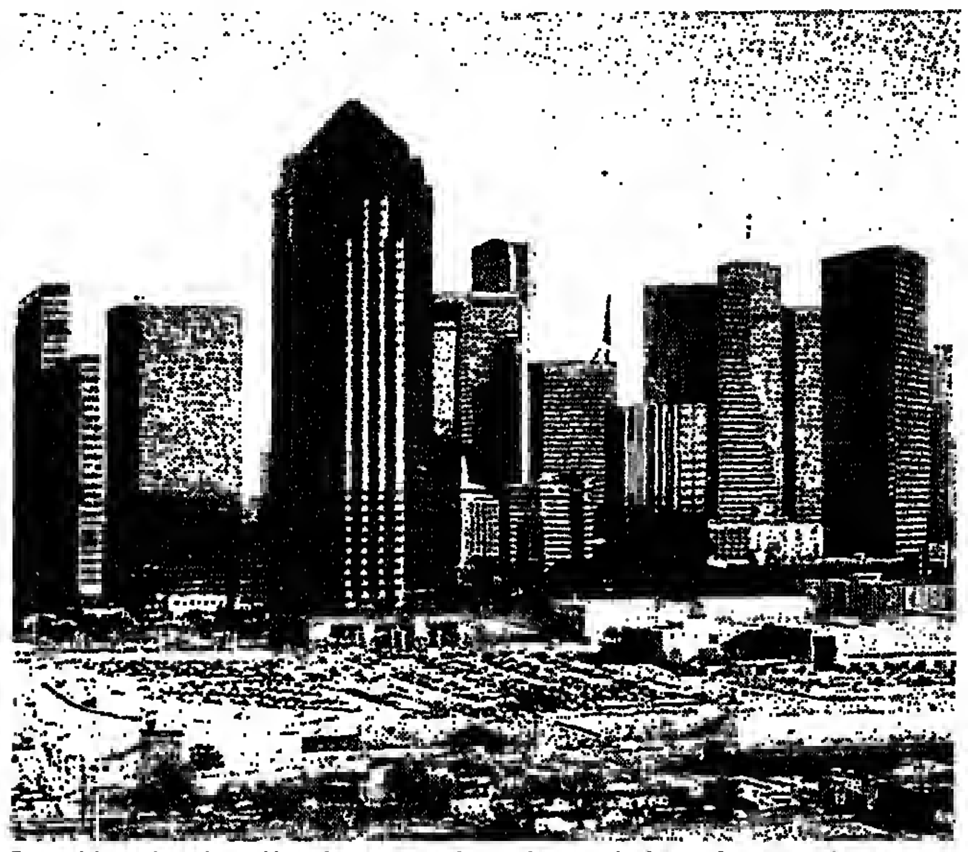
Financial institutions: Local power slips away.... Page III

Monday November 15 1993

The challenge to Texans is how to adapt to a new world, while retaining the powerful qualities which have made their state among the most vibrant and successful. Can Texans remain Texan despite the changes? **Richard Waters** reports

Tradition of self-reliance challenged


Houston is the fourth most populous city in the US. Its population rose from just over 2m in 1970 to 3.9m in 1990


Dallas claims to have the world's highest concentration of telecommunications equipment manufacturers

TEXAS is facing something of an identity crisis. The proud inhabitants of the second-biggest state in the union have long fed on myths of Texas's past to nurture their sense of separateness from the rest of the nation – the wide open frontier spaces on which vast herds of cattle were reared; the successive oil booms that have punctuated Texan history from the first gusher on Spindeltop in 1901 to the boom of the 1970s and early 1980s.

These are the myths that Texans embrace each time they don their cowboy boots and hats and head off in their pick-up trucks to the local honky-tonk.

The reality of Texan society and its economic base has diverged markedly from this self-image in the past decade. The challenge to Texans is how to adapt to this new world, while holding on to the powerful qualities which have made their state among the most vibrant and successful.

The social changes which are transforming Texas stem from at least three sources. First, there has been an influx of people over the past 20 years from other states. Many came from the rustbelt states of the north in the late 1970s and early 1980s, as steel-making and manufacturing industries there shrank and manufacturing and energy-related johs in Taxas boomed. The state's population jumped from 7.7m in 1950 to 17m in 1990. These new Texans have brought with them new aspirations, nurtured in the cities of the north.

Second, Texas has shifted from a rural to an urban society. While the myths of Texas are still rooted in the land, the fastest-growing araas have been the cities of Houston and Dallas. Houston's population climbed from just over 2m in 1970 to 3.9m in 1990, making it the US's fourth most populous city. To outsiders, these cities look like most other parts of America: vast urban sprawls in which the car is king, and where excessive 1980s development has left the skyline littered with many unremarkable and often half-empty commercial property developments.

Third, the dominance of the state's white Anglo-Saxon inhabitants has been diluted hy a rapid growth in the Hispanic population. Hispanics accounted for 18 per cent of the population in 1970: by 1990, the proportion had grown to 25 per cent, and 30 years from now it will be 38 per cent, according to a forecast by a group set up by state comptroller, John Sharp.

At the same tima, Texas's relative wealth compared with the rest of the US has declined. In the middle of the last oil boom, its average income per head rose to 3 per cent above the national average: it has since shrunk back to 10 per cent below, points out Bernard Weinstein, a professor of economics at North Texas University. Some 18 per cent of Texans are judged to be below the poverty level, considerably higher than the national average.

These shifts are challenging the state's traditional belief in self-reliance and its fear of the corrosive effects of social welfare. The questions now being asked of Texas' political and social institutions are whether they have kept pace with the shifts in its social and economic base. The state can still point proudly to the fact that it does not impose a state-level income tax, and that it ranks 48th among the 50 states in terms of its total taxes per head, some 40 per cent below the national average. However, concern about the quality of public education is high, and many of the new Texans who come from elsewhere in the US have hrought with them a different attitude to puhlic spending.

The state's economy is also in the midst of a transformation. While much of the first 157 years of Texan economic history can be summed up in three words – cattle, agriculture and oil – the future will be much more mixed.

The traumas caused by the last hoom-and-hust in the energy sector still resonate. In 1980, oil and gas accounted for 27 per cent of the Texan economy. By 1990, it had fallen to only 13 per cent. Nearly half of all jobs in the energy sector were shed during the 1980s – although the past five years has witnessed a partial recovery.

Other industries have grown and replaced many of those lost jobs. Healthcare, electronics, transport, finance, government, retailing, clothing – industries which have supported modest industrial growth in other US states as well. The Texas Medical Centre, a concentration of not-for-profit hospitals based in the middle of Houston, employs more people in the city than the oil and gas industry for which it has long been famous.

Texas has benefited hy going through its downturn before the rest of the nation. The property market's tumble – and the collapse of some of the state's biggest hanks – came in 1986 and 1987. While the vacancy rate in commercial properties in Dallas is 36 per cent, the hanks have long since shed the troubled property loans which threatened to sink them.

The steady but unspectacular pace of economic growth in the state since 1987 looks very un-Texan. True, it has come at a time when the rest of the US has heen struggling to find any growth at all; hut when set against the standard myths of Texan excess, the 1.5-2.5 per cent annual growth rate seems very anaemic.

The state has benefited greatly from the liberalisation of the Mexican economy since the mid-1980s, which has spurred trade across the Texas-Mexican border. If ratified hy the US Congress on November 17 – an outcome which is hy no means certain – the North American Free Trade Agreement will cement this trading relationship with Mexico, underpinning the state's economic advance of recent years.

Nevertheless, coming after the traumas of the mid-1980s the steady pace of growth and the more diverse economic base are welcome to most Texans. A more diverse economic base is, however, making the state look increasingly like the rest of the US.

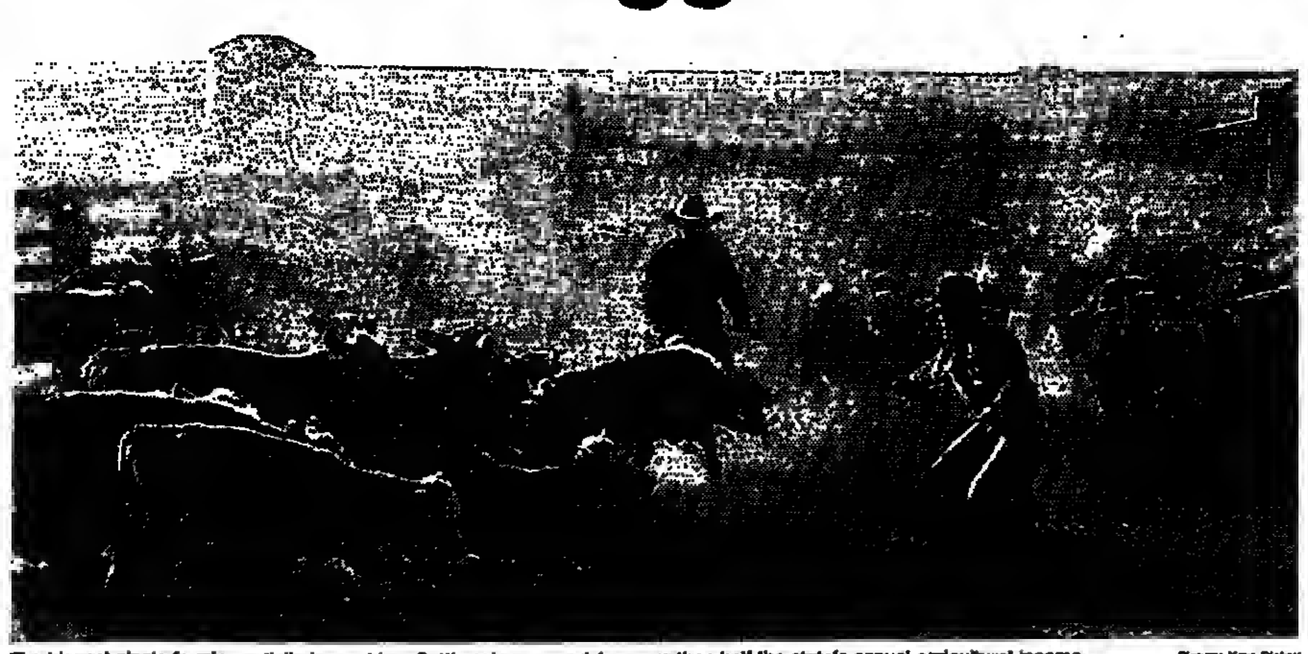
Can Texas remain Texan amid all these changes? Mr Richard Kinder, president of Enron, a natural gas company, is a new Texan, having come from the mid-West in the 1970s. Chewing a fat cigar in his expansive office in downtown Houston, he is typical of the outsiders who have wholeheartedly embraced the Texan myths yet want to see the state progress further away from its rural, redneck past. "Texas is very good at attracting the entrepreneurs and the dreamers," he says. "I hope we can throw out the prejudice, hut keep the positive."

The spirit of Texas may find outward manifestation in the myths of its own past, but it continues to thrive in the new era. Houston, with its free-wheeling business culture and open society, and Texas's other cities, thrive on the same qualities which first made the state great.

It is a spirit captured hy Nicholas Lemman in a contrihution in 1986 to *Texas Myths*, quoted hy Bernard Weinstein: "I used to take the earliest flight from Austin to Houston a lot, at the end of which the cargo of husinessmen would burst out of the aircraft as if it were a starting gate. Sometimes the stewardess, after saying goodhye over the puhlic address system, would add sweetly, 'Hope y'all make a lot of money today'. Texas is the only place I've heen where one hears it said of someone, in a quiet tone of sympathy mingled with pity, 'Ol' Norman works for a salary'."

AGRICULTURE

Second-biggest industry in the US



The biggest single farming activity is ranching. Cattle sales account for more than half the state's annual agricultural income Picture: Kren Oxley

THE first sight of Texas can come as a shock to those brought up on episodes of *The Lone Ranger*, an American television series depicting the adventures of the eponymous Texan hero and his faithful Indian friend Tonto. While the image firmly etched in people's minds is that of a barren landscape punctuated only by the occasional cactus, the reality turns out to be somewhat different.

True, there is dryness and dust in the west of the state for those who go out of their way to find it, but the rest of Texas is predominantly fertile. How else, after all, would its agricultural industry have become the second-biggest in the US, surpassed only by California's?

Although the energy industry still ranks as the number one contributor to the Texas economy, agriculture is not far behind. Some 78 per cent of the state's total land area is in agricultural production, and about 20 per cent of the workforce is in agriculture-related employment. Income from farm sales was $11.6bn last year.

The biggest single farming activity is ranching. Texas, famously, is cattle country: at the last count it had 14.3m head of cattle and calves, more than twice as many as any other state, and cattle sales account for more than half the state's annual agricultural income.

The other agricultural activity for which Texas is best known is cotton production. In this, too, it ranks as the biggest US producer, with annual sales accounting for 13 per cent of agricultural income.

But beyond these two dominant farming activities lie a myriad others. The sheer size of Texas means it encompasses an unusually wide variety of climatic conditions, and this in turn has given rise to an unusually varied agricultural output.

In addition to cattle and calves, livestock rearing in Texas extends to horses, sheep, goats, pigs and poultry: while crop production extends beyond cotton to peanuts, rice, wheat, oats, sorghum, soybean, vegetables and citrus fruits.

Even so, the Texan agricultural industry is subject to the same economic pressures afflicting farming throughout most of the western world. Increases in yields and productivity have led to agricultural surpluses and, inevitably, a steady decline in prices. Profits have come under pressure and farmers have had to become more efficient to survive – though many, in Texas as elsewhere, have been protected from the full force of the market by government intervention of one sort or another.

In Texas, the result of these economic pressures has been a small but nevertheless perturbing decline in farming activity. The number of farms in the state has fallen from 188,000 to 183,000 in the last five years. In some cases, the farms have been acquired and merged into other, larger, operations as part of the continuing pressure for efficiencies of scale. But the total acreage of land in production has fallen, too – from 133m acres to 130m acres over the last five years: and last year's farm income of $11.6bn represented a 5 per cent decline on the previous year's $12.2bn.

One way in which Texas is fighting back is through diversification into new agricultural markets. One example is fish farming: the state has 143 commercial catfish farms with 1,400 acres of water in production. Another is bees: Texas produced $6m worth of honey last year. Deer, meanwhile, are becoming increasingly popular for their meat, and other breeds starting to make an appearance include ostriches and emus.

The reason why these new breeds are important is that they enable small farmers to make money. Some 67 per cent of Texas farmland is owned by farmers with holdings of 200 acres or less, and it is nowadays increasingly difficult for them to make money out of the few head of sheep or cattle that such a small acreage will support. Deer, however, require far less land per head than cattle and their meat fetches much higher prices, so holding out the prospect of a return to profitability.

However, according to Mr Rick Perry, the Texas commissioner for agriculture, there is a much more important issue at stake than diversification into unusual breeds, and that is the need for Texans to become food processors as well as food producers.

Rick Perry: 'Agriculture in Texas will overtake oil in dollar receipts'

As Mr Perry explains, out of the vast quantities of food produced each year in Texas, only a small proportion is actually processed in the state. The rest goes elsewhere in the US and all over the world for processing: cotton to Carolina, for example, leather to Italy, wool and mohair to England.

"We never were a British colony but we certainly act like one," Mr Perry says. [Texas joined the Union after independence]. "We only process 8 per cent of what we grow. All the rest we send away to have the value added by someone else."

Mr Perry sees the introduction of more food processing as vital to the fight against rural decline. As part of the effort, the Texas Agricultural Finance Authority has been established to guarantee loans to new or expanding businesses in the food processing industry. In the two years since its formation, it has underwritten 34 loans totalling $25m and claims to have created, or at least retained, some 4,700 jobs.

Mr Perry says his family has been ranching in Texas for five generations, so he understands production well. "But I also recognise that the days are past when we could stay above the tumult of the increasing costs of doing business simply by increasing production. For 40 years we have been doing that, and we have just about reached the apex in terms of introducing new varieties and achieving increases in production.

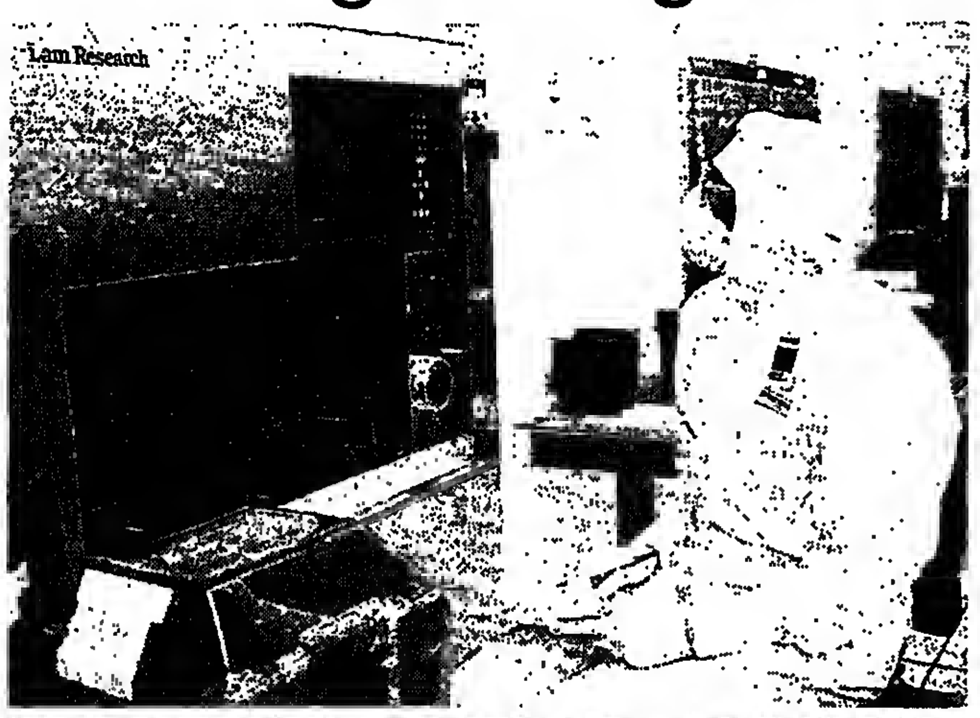
Processing has to be the answer, he says – even more so if the North American Free Trade Agreement is signed, for increasing prosperity south of the border is whetting the appetite of better-off Mexicans for processed American foods.

"Some day agriculture in Texas will overtake oil in dollar receipts if we concentrate on processing as well as growing," Mr Perry predicts.

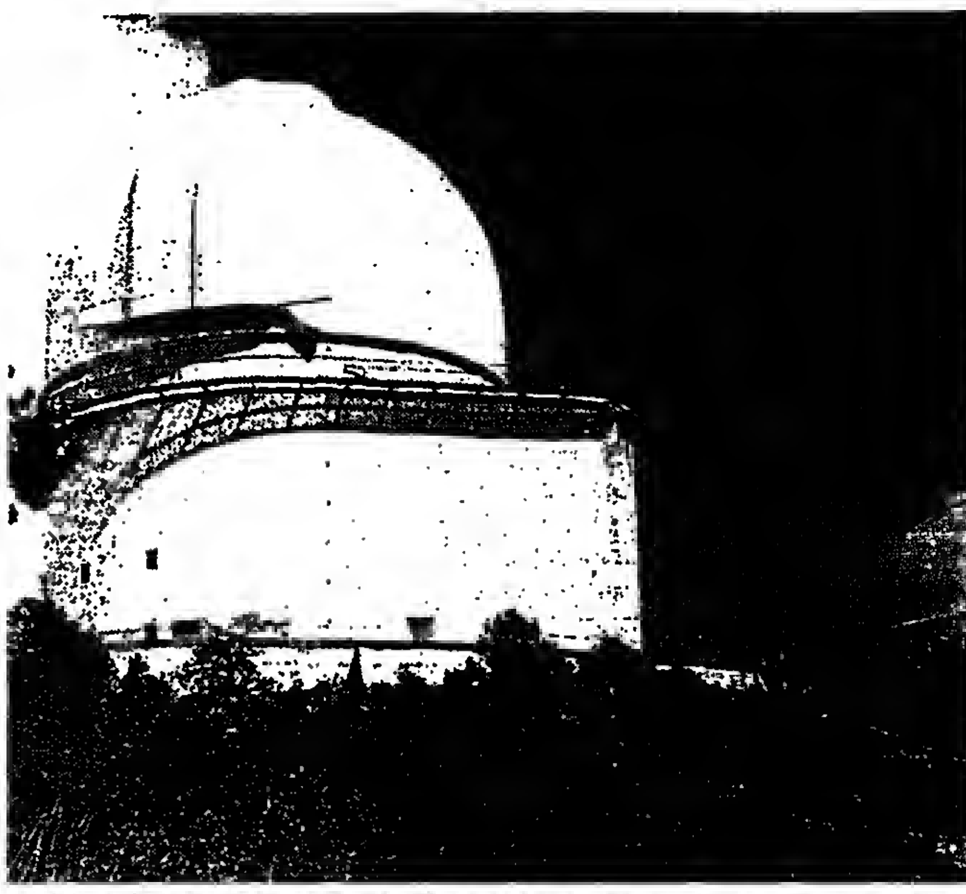
Richard Tomkins

HIGH-TECH INDUSTRIES

Sector is an engine of growth



A plasma etcher employed by Sematech. In Austen, about 55,000 people work for 450 high-tech enterprises



Organisations include the vast and the tiny; their fields of activity range from biotechnology to space exploration

IT would have been quite a contrast, had it happened. At ground level, 35 miles due south of Dallas, life in the picture postcard town of Waxahachie would have continued in much the same tranquil way as ever. But beneath the surface, scientists would have been carrying out the world's biggest atom-smashing experiment.

The plan was to spend $11bn on the construction of a super-colliding superconductor under Waxahachie. The town would be completely encircled by a 54-mile tunnel lined with magnets. Physicists would fire protons through the tunnel and accelerate them to just below the speed of light before crashing them into one another.

With a bit of luck, the result would be to produce even smaller particles, which might resolve some basic questions about the nature of matter.

In the end, Congress decided that the cash-strapped nation could no longer afford to indulge the scientists' curiosity, and last month it pulled the plug on the already part-built project.

To most other states, the cancellation of such a large high-technology project would have come as a resounding blow. But it says something about the development of high tech in Texas that the state seems relatively unconcerned about the effects the decision might have on its economy.

The reason is that the high-tech sector in Texas has grown to a size where the cancellation of a single project is only a minor setback. Where once cattle and cotton were the state's booming industries, and later oil, now the high tech sector has become an engine of growth.

Organisations include the vast and the tiny: the public sector and the private; the home-grown and the new arrivals: and their fields of activity range from biotechnology to space exploration.

Some specialities have tended to cluster geographically: for example, Dallas claims to have the world's highest concentration of telecommunications equipment manufacturers, with 360 companies occupying a telecoms corridor in the northern suburb of Richardson.

Houston is probably best known outside Texas for the National Aeronantics and Space Administration space centre, presently working on the development of a space station. But it is also home to Compaq, the computer giant; and the Texas Medical Centre in Houston, said to be the world's largest medical complex, has spawned thousands of jobs in medical research and biotechnology.

San Antonio is also strong on biotechnology and biomedicine, hosting the South Texas Medical Center, the University of Texas Health Science Center, the University of Texas Institute of Biotechnology, and the Southwest Foundation for Biomedical Research.

But perhaps the jewel in the Texas high-tech crown is Austin, the state capital. Here, about 55,000 people are employed by 450 high-tech enterprises – among them, the home-grown Dell Computer and CompuAdd – while two consortiums, Sematech and the Microelectronics and Computer Technology Corporation, design the next generation of semiconductors and computers. Although not quite yet on a par with California's Silicon Valley, the city and its surrounding area have already been dubbed Silicon Hills.

The result of this activity is that Texas now claims to have more scientists and engineers within its borders than any state except New York and California. It also expects the growth to continue: high-tech industries will provide almost half the new manufacturing jobs in the state over the next 35 years, it believes.

According to Mr Michael Klonsinski, programme director at the Texas Department of Commerce's office of advanced technology, the beginnings of these inroads into high technology date back to the 1960s when Texas set out to prove that it was more than just a roughneck ranching and oil state.

The oil money helped – for example, financing an excellent academic infrastructure and bankrolling high-tech entrepreneurs. So did the state's considerable political and business influence, which helped bring big high-tech projects and contracts to the state. And an unusual alliance between state and local government, the private sector and the academic world has been a powerful force in building up the high-tech industry.

The number of people employed in Texas high-tech industries has grown by 20 per cent to 381,000 in the past five years. One reason is that Texas now offers all the high-technology infrastructure that businesses require – universities, research institutions, manufacturers and suppliers. Employers are also attracted by the fact that Texas is one of only two states in the US with a growing youth population (the other is Oklahoma). And the low cost of living is attractive to employers and employees alike.

Mr Joel Kocher, worldwide sales president at Austin-based Dell Computer, says the cost of living has become particularly important in the computer industry because of the "commoditisation" of the market. As computer technology has converged and products have become increasingly similar, customers have started to buy on price, putting manufacturers under pressure to examine their costs as never before.

Small wonder that Silicon Valley is moving to Silicon Hills, he says. "Silicon Valley is probably the most expensive area you could locate a company in today except for New York City," says Mr Kocher. "The cost of living there is outrageous. The median cost of housing in San Franciso is probably twice what it is here."

Yet can Texas hold on to its lead? Is there not a danger that other states will jump on the bandwagon and lure companies away with even lower costs? Possibly, Mr Kocher says. "In this country, success breeds competition, so there is no doubt other states will try."

Even so, he believes the Texas high-tech sector will continue to thrive because so few places can match it for its infrastructure and its low-cost, highly educated labour pool.

"You go to Wyoming, and you are going to have a very difficult time attracting talent."

Richard Tomkins

ENERGY SECTOR

Living in much reduced circumstances

TEXANS have always had a simple way of taking the pulse of their oil and gas industry: count the number of drilling rigs scattered across the horizon. When the numbers go up – usually in response to higher energy prices – Texans tend to smile more broadly.

Based on this rough-and-ready test, the state's energy sector is living in much reduced circumstances.

At the end of October, there were 860 rigs at work in the US – a far cry from the oil boom that drove the state's economy for nearly a decade, until 1982. In that year, more than 4,000 oil rigs pierced the sky, most of them thrown up by speculators trying to get in on the action. Texas is reckoned to account for nearly half of all rigs in use.

The number of workers in the Texan energy industry has echoed the decline in the rig count. In the mid-1980s, Texas lost 144,400 jobs in oil and gas industry, nearly half of the total.

These bald figures, though, tell only part of the story. For a start, the boom times represent a poor point of comparison: such feverish speculation is unlikely to return. Also, the energy industry has moved forward. Advances in the technologies used to find and drill for new reserves, and better control of costs, make direct comparisons tenuous.

Compared with five years ago, drilling activities cost half as much and are twice as likely to result in a find, says Mr Richard Kinder, president of Enron, the fast-growing natural gas company.

"We don't need to get back to 4,000 because we're so much more efficient – 1,200 is now the optimum count to sustain production [at its current rate.]"

Also, drilling activity is at its highest level for the past two years, despite the slump in the oil price. A one-year-old spike in natural gas prices has provided the incentive to keep many of the wildcatters going. Two years ago, about 40 per cent of rigs were searching for gas rather than oil; now the figure is 50 per cent.

The Gulf of Mexico has yet to develop a network of pipelines to carry the oil produced

Texas also stands to benefit from having what could be the US's last big undeveloped oilfield on its doorstep. Undiscovered reserves in deep-water areas in the Gulf of Mexico are put by the US government at the equivalent of 14bn barrels of oil.

Deep-water drilling in the Gulf is still in its infancy. Since 1978, when the first well at a depth of more than 1,000 feet was drilled, only five other projects have gone as deep. Part of the risk is that the Gulf has yet to develop a network of pipelines to carry the oil produced. As yet only the largest discoveries, which justify the construction of their own pipelines, are worth developing.

The oil companies say that, given the higher risks, they need the taxpayers' support for deep-water exploration and production. Deep-water production already attracts a lower royalty charge than that in shallow-water areas: the oil companies are now asking Washington for tax relief of $5 a barrel for all oil produced in the deep-weter Gulf. This would undoubtedly provide a spur to the local energy sector – the oil companies say it would create 100,000 new jobs in Texas and Lousiana. So far, though, the call has fallen on deaf ears.

Big projects in the Gulf – like that announced by Shell Oil and BP Exploration last month, to produce oil from one the deepest sites in the world, known as Mars – are helping to make Houston a leader in the development of deep-water drilling technology. Big investments in exploration and production made by US companies abroad are also keeping Houston busy: the biggest energy groups, in search of giant discoveries to boost their reserves, are directing more of their exploration and production budget overseas, to countries such as Russia and China.

The many companies that support the energy industry – whether drilling for oil or building refineries and chemicals plants – have had to adapt to become more international as a result. With the passing of the last oil boom, the myriad small oil service companies in Texas went through a phase of consolidation, merging to create bigger entities that could withstand the downturn as well as afford the investment in new drilling technology.

Now, another wave of consolidation is under way, leading to the creation of fewer, bigger companies able to take on the bigger risks

Dallas-based Dresser Industries, for example, is in the process of absorbing Baroid to make itself the US's fourth-largest oil services group. Energy groups now look to oil service companies to manage all aspects of an exploration project, says Mr John Murphy, Dresser's chairman.

Dresser has also followed its biggest customers internationally in the past decade. "It wasn't some grand plan to shift our business internationally – hell, that's where the market went," says Mr Murphy.

While much exploration and production has shifted offshore or overseas, the downstream business of refining has also kept Houston busy – along with a rash of construction in the petrochemical industry along the Gulf coast of Texas and Lousiana.

The second half of the 1980s witnessed significant capital investment in new plants, and the upgrade of existing refineries to comply with new petroleum standards. The largest project under way in Houston at present, a $1bn joint venture between Shell and Pemex, the Mexican state oil group, involves an upgrade of a Shell refinery.

According to Texas Commerce Bank, about $1bn a year was spent during the 1980s to comply with the compulsory phase-out of leaded petrol or to meet the increasing demand for higher-octane fuel.

By 1985, Texas had more capacity for making ethylene, one of the basic feedstocks of the petrochemicals industry, than any other country in the world, including the rest of the US, according to Mr Bernard Weinstein, an economics professor at the University of North Texas. Much of that capacity sat idle through the US, and then the global, economic slowdown arrived. When conditions improve in the cyclical petrochemicals industry, the state should benefit accordingly.

Richard Waters

North American Free Trade Agreement

Key to future prosperity

IN the frontier town of Laredo, no one has been waiting for the North American Free Trade Agreement.

This fast-growing agglomeration of rail yards, truck depots and warehouses, perched just on the US side of the Transamerican highway, bears testament to the rapid build-up in US-Mexican trade since the mid-1980s, even without a free trade agreement between the two countries.

Yet if the North American Free Trade Agreement is not ratified, the future prosperity of towns such as Laredo – and the Texan economy as a whole – looks much less assured.

More than a third of US exports to Mexico pass through this ramshackle border crossing: 871,000 trucks crossed the two bridges that span the Rio Grande at this point last year, nearly twice as many as three years previously.

The demand for facilities to handle this burgeoning trade flow has made the town of Laredo probably the fastest growing in all of Texas. Based on the building permits issued by the city government, for properties worth $150m this year, it has been growing at an average of more than 20 per cent a year for each of the past five years.

Employment on the Texas side of the border has jumped by 40 per cent over the same period, to about 55,000.

The reason for this feverish growth: Mexico's decision to sign the General Agreement on Tariffs and Trade (Gatt). Joining the international trade liberalisation movement took tariffs on US goods in Mexico down from 80 per cent or 100 per cent in some cases to an average of only 8 per cent, says Mr Peter Vargas, Laredo's town manager. That fall has had a far more significant effect on trade flows between the US and Mexico than is likely from abolition of the tariffs that remain. "We've already seen all the increase with Gatt," says Mr Vargas. "I don't think Nafta will be a dramatic increase."

However, even though Laredo has boomed without Nafta – and Texas as a whole has benefited from the increased trade flows – continued prosperity may depend on the free trade agreement being adopted. To many in Laredo, it is like an insurance policy – a confirmation that Mexico will continue to pursue the liberalising economic policies which have been so beneficial in recent years.

"It will institutionalise in an international agreement the economic practices that have been put in place by the Mexican president," says Mr Vargas. Like others, though, he warns of the danger of Mexican retaliation if the US Congress refuses to ratify the treaty: "If Mexico decided to withdraw from Gatt, it would have a devastating effect on the Texas economy."

Across the Rio Grande, on the Mexican side of the border, the mirror-image city of Nuevo Laredo has been immersed in its own pursuit of new prosperity. It is a distorting mirror, though: Nuevo Laredo's packed-together tenements and bustling streets are a reminder of the economic gulf that lies between the two cities, and their respective countries.

Nuevo Laredo has already seen the benefits of US investment

Nuevo Laredo, like other Mexican towns along the border with the US, has already seen the benefits of US investment. Under the Maquiladora programme, begun in the 1960s, assembly plants along the Mexican side of the border can receive components from the US side tariff-free, provided the finished articles are re-exported to the US.

Some 20,000 people work in the 70-odd Maquiladoras in Nuevo Laredo. Most of the new jobs have come since 1986, when there were only 22 plants employing a total of 4,000 people.

Production standards and attention to quality here have been driven by demanding US managers, for whom Mexico has become a significant source of low-wage assembly jobs.

"*Compromisos de produccion*" [production targets] declares the the wall sign as you enter the Elamex plant in Nuevo Laredo where 200 workers earn $6 a day each mending portable telephones sent across from the US side. Many of these telephones have already been shipped back to the US for repair from China and other countries in the Far East, before being sent on across the Mexican border.

The target is for no more than 10,000 defects per 1m – or 1 per cent. Another sign shows the monthly pattern so far this year, putting the average defect rate so far at 9,300 per 1m.

Whatever the outcome for Nafta, such operations – which operate with a skilled workforce and an attention to quality – should continue to prosper, even though the initial reason for setting them up on the border would disappear in a free-trade environment.

In the same way that Laredo has benefited from its position on the border between Mexico and the US, the state of Texas as a whole has been well situated to take advantage of the growing trade links. According to a 1991 study by Perryman Consultants, an economic consultancy based in Waco, Texas's exports to Mexico amount to $10bn a year. Directly and indirectly, this export business contributes $27.6bn annually to the Texan economy and supports 290,000 jobs in the state.

The successful completion of Nafta would cement Texas' position at the heart of trade flows with Mexico. Should the agreement fail, though, one of the state's biggest engines of future economic growth could easily stall.

Richard Waters

The Alamo: old symbol of Texan defiance. Now the economies of Texas and Mexico may be more closely tied

FINANCIAL INSTITUTIONS

Local power slips away

IS this the future of banking in the US? Dominated until recently by a handful of proud and independent banks, Texas's biggest financial institutions are now owned by groups based in New York, Ohio and North Carolina rather than Dallas or Houston.

For most other states, the steady advance of "super-regional" banking groups such as NationsBank and BancOne has been a phenomenon of the 1990s.

Texas, by contrast, succumbed to the outsiders back in 1987, when a real estate collapse – coming hard on the heels of an oil bust – pushed most of the state's biggest banks over the edge into insolvency.

Six years on, the aftermath of the 1980s banking collapse still hangs heavily over the financial districts of Dallas and Houston.

For a state which has always boasted its spirit of self-reliance, it remains a galling fact that several of Texas' largest banks were bailed out by the federal taxpayer in the form of the Federal Deposit Insurance Corporation.

Capital supplied by commercial banks from outside the state was also needed – by some estimates, 40 per cent of the capital behind Texan banks has been provided by non-Texan institutions.

Of the 10 largest Texan banks before the collapse, only one – San Antonio-based Cullen/Frost – remains independent.

Many Texan businesses found themselves declared in default, even though they continued to service their debts

The leading institutions now are owned by NationsBank (which acquired Dallas-based First Republic); BancOne (MCorp); and Chemical (whose subsidiary, Texas Commerce Bancshares, still operates under its old name.)

The aftermath of the collapse continues to haunt the banks for other reasons. Many Texan businesses found themselves declared in default, even though they continued to service their debts.

The reason: the collateral backing their loans, in most cases property, had fallen in value. Rather than take on such loans with inadequate collateral, the new bank shareholders in many cases opted to call them into default, leaving them in the hands of the FDIC.

The resentment among Texan businesses lingers. NationsBank, which was known as NCNB at the time of its takeover of First Republic, quickly acquired the nickname "*No Credit to Nobody*" – a joke which is still widely repeated.

"I don't doubt it affected people's relationships [with their banks]. It will take a period of time for that to heal," says Mr Harvey Mitchell, chairman of BancOne in Texas.

In some ways it was easier for new bank managements, coming to the state from outside, to call troubled loans into default, he says: also, the new shareholders would not have been prepared to put in capital if they had had to take on weakened assets.

The names are not the only things which have changed about Texan banks. Since the rebirth of the banks under "foreign" control there has been a revolution in Texan banking – in part due to changes in regulation even before the bust.

Until 1986, restrictive state banking law did not allow banks to operate through branches (although from the early 1970s they had been able to set up separate subsidiaries around the state.) The result: nearly 2,000, mostly small banks, and a handful of big institutions which concentrated on corporate and property lending.

Now, the state's banks are mostly pursuing a strategy familiar elsewhere in the US: build a network of branches that covers all the main urban centres, then develop an array of "products" (including investments) which can be sold through those branches.

Outside shareholders, aside from putting up the capital to make such expansion possible, have also been able to provide other resources to help these more diverse banks develop.

"We picked up some good consumer products from Chemical," says Mr Robert Hunter, chief financial officer of Texas Commerce. "We don't want to develop all our products from scratch if we can get them off the shelf." Mr Mitchell at BancOne adds that the Ohio-based banking group has also brought better management information systems to its Texas subsidiary.

In common with banks elsewhere in the US, those in the state are making fewer commercial loans

BancOne and NationsBank have built the largest networks, in part by acquiring failed savings and loan institutions.

MCorp had 56 branches before it was acquired by BancOne in 1989: it now has 200.

Texas Commerce, by contrast, has remained largely a corporate bank – benefiting in part because, while its main rivals suffered the upheaval of passing through the hands of the FDIC, it remained solvent.

This year, though, Texas Commerce has also been actively growing its network through acquisition – while at the same time shedding branches in smaller centres where it had a minor presence.

The concentrations of commercial lending which led to eclipse of Texas' banks in the 1980s are unlikely to recur soon.

In common with banks elsewhere in the US, those in the state are making fewer commercial loans – thanks to a lack of demand from businesses and a full-scale retreat from property lending.

As a result, competition for credit-worthy corporate customers has been rising in the last year, pushing down lending margins. "You either have to lower credit quality or lower pricing – most people would start out by lowering pricing," says Mr Mitchell. What demand there is comes from small oil and oil services companies – the biggest finance themselves from cash-flow or in the capital markets – residential construction companies and a range of small businesses.

Richard Waters

Richard Tomkins studies prospects for a $6.8bn high-speed railway

The car remains king

THE trouble with Texans is that they don't take trains. Aircraft, yes; cars, any time. They may even occasionally walk, but the idea of going to a railway station and catching a train is as likaly to occur to them as the thought of commuting to work by horse.

This, in essence, is the single biggest obstacle standing in the way of the Texas Supertrain. On the face of it, the plan to link the state's biggest conurbations with a high-speed rail network makes sense: after all, Europe and Japan have been doing the same sort of thing for years. But in a land where people are wholly unused to the notion of catching trains, the private sector project is struggling to bridge a credibility gap – and without credibility, it will not attract the necessary finance.

The rationale for the Texas Supertrain seems straightforward. At present, the main modes of transport in the triangle between Dallas, Houston and San Antonio are road and air. But the highways and airports are already crowded and a 1989 study by the Texas Turnpike Authority predicted that total passenger movements in the triangle would more than triple by the year 2010. The Texas Supertrain presents itself as the environmentally-friendly solution to this seemingly intractable problem.

Plans for the high-speed network date back to the early 1980s, but they began to gather momentum in 1991 when the state-appointed Texas High-Speed Rail Authority awarded a 50-year franchise for the scheme to the Texas TGV Corporation – a private sector consortium comprising Morrison Knudsen, the US construction group, and private Texan interests. The consortium appointed GEC Alsthom, developer of France's *train à grande vitesse*, and Bombardier, GEC Alsthom's North American licensee, to provide the technology.

In the past few weeks the project has taken another step forward with the publication of Texas TGV's preferred route. A three-spoke network totalling 469 route miles is planned, linking the main conurbations with French-style TGV trains travelling at 200 mph. The 250-mile journey from Dallas to Houston, for example, would take 1hr 41mins – much less than an airline passenger could hope to achieve on the same route, city centre to city centre.

With no contemporary experience, potential backers are wary

Now, however, comes tha hard part. Texas TGV says it is still working out how much the project will cost, but the last time anyone did the sums, the figure came to $6.6bn including financing costs and inflation to the date of opening.

The figure might not matter very much if the private sector could be sure of earning an adequate return. But with no contemporary experience of passenger train projects in the US, potential backars are understandably wary.

Meanwhile, to add to its burden, the project also faces outspoken opposition: not only from Southwest Airlines, the Dallas-based carriar that has made a success out of its expanding network of no-frills, short-haul services, but from a campaigning group called Derail (Demanding Ethics, Responsibility and Accountability in Legislation) which speaks for people who beliave their lives, land or property could be adversely affected by the railway.

Mr David Rece, Texas TGV's president and chief operating officer, believes much of the opposition is overdone. These days, be says, Southwest Airlines only makes 12 per cent of its revenues from its Texas routes. And by the time the Texas Supertrain starts running, around the turn of the century, there will be more than enough traffic for everyone. As for people directly affected by the route, he sees no reason why Texas TGV should not be able to reach satisfactory agreements on compensation in the overwhelming majority of cases.

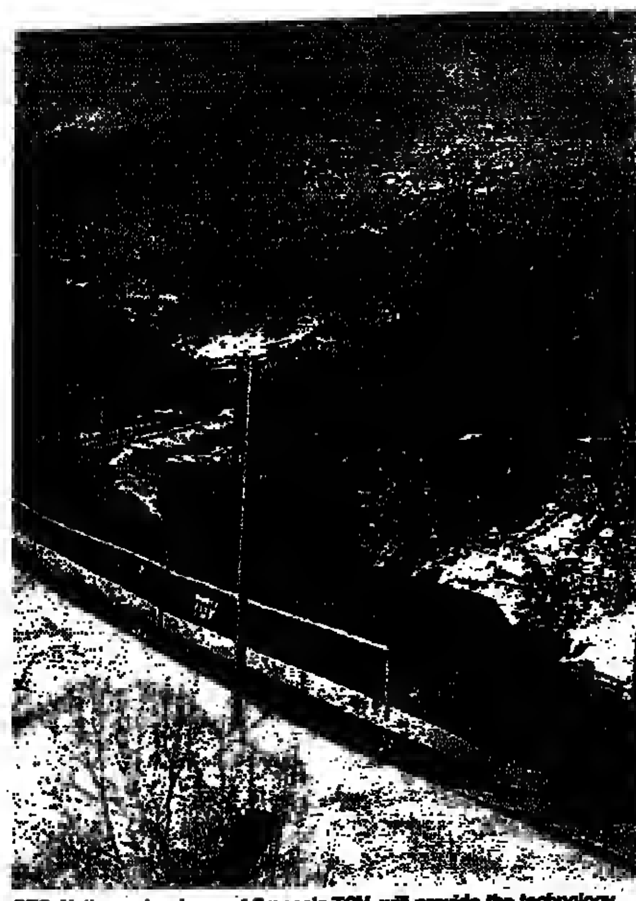
But is the project a paying proposition? On the one hand, it links three of the biggest and fastest-growing cities in the US (Dallas, Houston and San Antonio); tha distances between them are ideal for the high-speed train, being too long to travel comfortably by road and too short to make an air journey worthwhila: and the railway's path is not obstructed by physical barriers such as mountains or seas. On the other hand, $6.8bn is a colossal amount of money.

Mr Rece acknowledges that rail travel is an unfamiliar concept to the average Texan, but says a passenger study carried out by Charles River Associates, a Boston-based consultancy, shows the TGV network should attract 26 per cent of the Texas inter-city travel market by the year 2010, equivalent to 14.4m passengers annually. Based on a 3 per cent annual inflation rate, it should be generating annual revenues of $1.1bn by the same year.

"We are convinced that the project will pay back its costs," says Mr Rece. "What remains to be established is whether or not it can yield a sufficient rate of return to attract private capital."

In one sense, the Texas TGV looks like a project of its time. The climate of opinion in the US seems to be shifting slowly back in favour of rail: indeed, the High-Speed Rail Development Bill, presently under consideration by US legislators, would have the effect of putting high-speed rail on the same footing as other modes of transport which receive federal financial assistance.

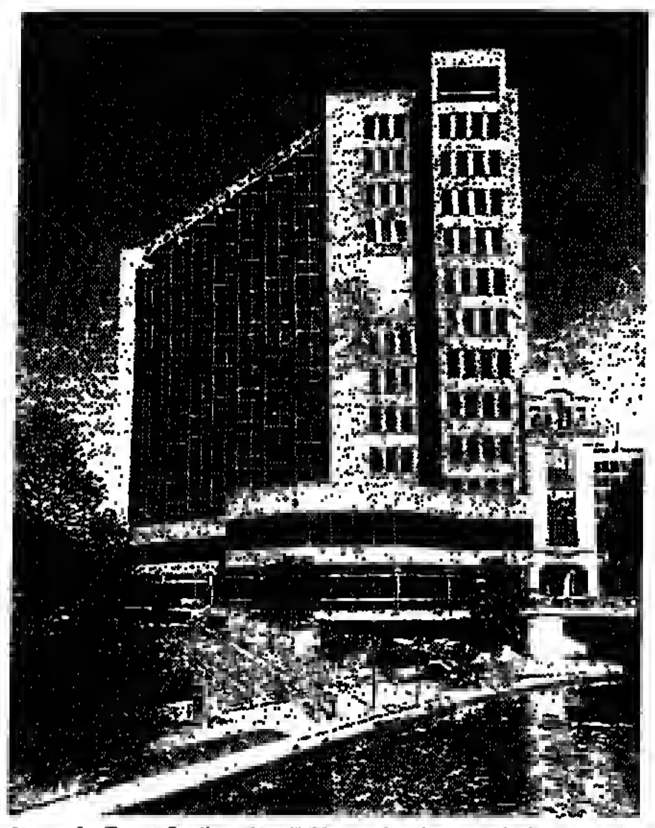
But whether, in practice, this will make any significant difference to the Texas TGV remains to be seen. Under the terms of the franchise, the consortium is required to have garnered commitments to an initial $170m worth of funding by the end of next month. So far, it has only just passed the $30m mark and time is running out.



GEC Alsthom, developer of France's TGV, will provide the technology

PROFILE: SOUTHWESTERN BELL

Baby breaks with the past



A coup for Texas: Southwestern Bell's new headquarters in San Antonio

THE thing about San Antonio, deep in southern Texas, is that a river runs through it. The city has other interesting features – not least the Alamo, the fort where 189 volunteers died fighting for an independent Texas rather than surrender to the massed ranks of the Mexican army. But it is the river that sets the tone of the place, winding its way through the heart of the city a few faet below street level. Southwestern Bell's bead office sits on its banks.

Until last year, Southwestern Bell bad looked as deeply rooted as ever ln lts bome town of St Louis, Missouri. Although the company became an independent entity less than a decade ago with the break-up of the Bell telephone companies into seven Baby Bells, its operations had been based in St Louis since 1879. The company's decision to transplant its 580 headquarters staff to San Antoulo was therefore as much of a shock for Missouri as it was an economic coup for Texas.

The fact that the Baby Bells are making headlines adds aootber dimension to the move. As the companies seek new opportunities outside their heavily regulated, low growth local telephone businesses, they appear to be competing to see which can do the biggest deal – as with last month's multi-billion-dollar merger agreement between Bell Atlantic and Tele-Communications Inc, tbe US cable television giant.

Southwestern Bell, though it has yet to matcb the sheer scale of the Bell Atlantic deal with TCI, has been at least as busy as most other Baby Bells. It has become one of the biggest US operators of cellular communications services; it is spending $650m to buy two cable systems outside Washington DC from Hauser Communications; It is one of the three biggest cable television companies in the UK, and it bas acquired a controlling stake in Teléfonos de México, better known as Telmex, the Mexican national telepbone company.

Southwestern Bell readily acknowledges that San Antonio is an attractive city: it would hardly have relocated there otherwise. But it says the main reasons for the move were pragmatic, and closely related to iis business strategy.

First was the desire to get closer to the place where most of its business is done. Southwestern Bell provides local telephone services for nearly 10m homes and businesses in five south-western states: Texas, Arkansas, Kansas, Missouri and Oklahoma. But according to Mr Jim Epperson, director of corporate communications, the company's Texas business is growing much more rapidly than the rest. Already, the state accounts for 60 per cent of total corporate revenues, and tbe figure is expected to reach 70 per cent by the year 2000.

Mr Epperson says that proximity to the company's biggest customer base is more than a matter of convenience. "When you're doing business in Texas, it makes a big difference to be able to say that you're a Texas headquartered company," he says. "It gives you a clear marketing edge."

The second reason was the desire to get closer to Telmex. Southwestern Bell'a $1bn investment in this company appears to have vast potential. In 1992, only 40 per cent of Mexican households had telephone lines, but the proportion is growing rapidly: indeed, it is conceivable that revenues from Southwestern Bell's stake in Telmex could overtake those from its core husiness in a decade.

For a US company doing business with Mexico, probably tha next best thing to being in Mexico itself is to be in Texas – and better still, in San Antonio, the nearest big city to the border. For although Texas is not the only state to share a border with Mexico, it is easily Mexico's biggest trading partner: and if, as Southwestern Bell fervently hopes, the North American Free Trade Agreement is signed, cross-border business will boom, to the company'a great benefit.

According to Mr Michael Wagner, Southwestern Bell'a director of investor relations, the third significant factor lying behind the relocation to Texas was a cultural one. Like all the Baby Bells, Southwestern Bell has been trying to demonstrate that it has shaken off the sleepy, moribund management style of its pre-1984 parent in favour of a bolder approach aimed above all at increasing shareholder wealth. The purpose of the move was therefore to mark the break with the past in the most decisive way possible – by physically uprooting the business and its employees and moving them to a new environment.

The move notwithstanding, Southwestern Bell still has difficulties to confront. Like other Baby Bells, it is waging a campaign to shake off the fetters of a regulatory environment that it regards as outdated in the fast-changing and increasingly competitive world of communications: for example, rules that govern the rate of return it is allowed to make on local telephone services, and barriers preventing its expansion into markets for other services such as long-distance calls.

There is also the danger that some of these big mergers and acquisitions, like other flavour-of-the-month corporate sprees, could ultimately prove less attractive than they appeared.

And if, on occasion, things do not turn out quite as planned, Southwestern Bell'a executives will at least be able to step outside their office block, take a stroll down the river walk, and console themselves with the thought that San Antonio is a very pleasant place to be.

Richard Tomkins

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♦) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Grs	City-Line
Sun Alliance Unit Tst Mngmt Ltd – Contd.						
Broker Trusts						
Intnl Equity	5	93.86	94.79	98.79	–	4040
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke, Hants 0800 525725						
American Growth	0	35.81	35.86	38.36	0.53	4038
Managed Assets	5	125.73	128.58	135.39	2.80	4037
UK Income	5	38.98	39.31	42.05	2.72	4142
UK Growth	5	37.42	37.78xd	40.41	2.15	4143
Worldwide Growth	5	33.86	33.98xd	36.39	0.57	4454
Sun Life Trust Mngmt Ltd (1200)H						
101, Cannon St, London EC4N 5AD						
Admin & Enq 071-606 4044 Dealing: 071-606 3000						
Master Portfolio ♥	5¼	46.89	46.89xd	49.93	0.24	4145
Amer Growth Acc	5¼	60.76	60.76	64.66	0.00	4146
Cap Protector Acc	5¼	48.73	49.43xd	52.67	2.51	4139
Cap Protector Inc	5¼	40.44	41.05xd	43.67	2.51	4140
Euro Growth Acc	5¼	80.65	80.65	85.87	0.30	4141
Far East Grth Acc	5¼	148.28	148.28	158.45	0.00	4144
Japan Growth Acc	5¼	115.03	115.03xd	122.55	0.00	4148
UK Growth Acc	5¼	73.04	73.04	78.12	1.89	4147
UK Income Acc	5¼	73.52	73.52	78.63	2.63	4149
UK Income Inc	5¼	51.61	51.61	55.20	2.43	4148
Mngd Extra Income Inc	5¼	32.35	32.35xd	34.60	3.52	[illegible]
Mngd Extra Income Acc	5¼	36.56	36.56xd	39.10	3.62	[illegible]
Mngd Growth Acc	5¼	80.65	90.60	96.86	0.70	4150
Mngd High Yield Inc	5¼	79.14	79.14xd	84.64	3.69	4151
Mngd High Yield Acc	5¼	98.13	98.13xd	104.95	3.60	[illegible]
Mngd Inc & Gth Inc	5¼	73.67	73.67xd	78.78	2.76	4152
Mngd Inc & Gth Acc	5¼	87.38	87.38xd	93.45	2.76	[illegible]
Mngd W'wide Growth ♥	5¼	35.82	35.20xd	37.65	0.00	[illegible]
UK Smaller Cos	5¼	31.58	32.78xd	35.04	1.58	[illegible]

Murray Johnstone UT Mngmt

NatWest Investment Management Ltd

PDFM Unit Managers Ltd

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OTHER UK UNIT TRUSTS

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J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester
Telephone: 0285 640302

Life Funds (Helpline: 041-307 6600)	Bid Price	Offer Price	Yield Gross	City-Line
Income Distribution	109.9	116.9	–	44171
JRA/MSG Managed	136.8	144.1	–	[illegible]
[illegible]	127.7	134.5	–	[illegible]
[illegible]	149.5	157.4	–	47135
Deposit	[illegible]	109.1	–	[illegible]
Far East	161.2	169.7	–	[illegible]
Gilts	122.9	129.4	–	[illegible]
Greater European	133.0	140.1	–	[illegible]
North American	150.5	158.5	–	[illegible]
UK Equity	129.0	135.8	–	47134

Scottish Provident Group

6 St Andrew Sq, Edinburgh 031-556 9181

Sun Alliance Group – Contd.

Sun Life Unit Assurance Ltd

Royal Heritage Life Assurance Ltd

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

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	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 606000						
DM Circuit Portfolio	6	[illegible]	1.3194	1.3889	0.09	[illegible]
Stg	3	[illegible]	[illegible]	[illegible]	6.78	[illegible]
Prudential Fund Managers (Jersey) Ltd						
PO Box 103, St Helier, Jersey 0534 70005						
Prudential Currency Fd (Formerly Vanbrugh Currency Fd)						
Income (A & B)	6	212.20	212.20	[illegible]	3.42	[illegible]
Growth (C & D)	5	325.40	325.40	341.78	–	[illegible]
For Royal Trust see Royal Bank of Canada						
Royal Bank of Canada (Jsy) Fd Mgt Ltd (1400)F						
PO Box 194, St Helier, Jersey 0534 283404						
Govt Secs Fd	4	56.68	56.68	59.02	7.48	[illegible]
Standard Bank Fund Mgmt (Jersey) Ltd						
PO Box 583, St Helier, Jersey CI 0534 67557						
International Bond	5	$–	16.31	17.25	3.08	[illegible]
Sterling Bond	3	£–	10.18	10.63	6.45	[illegible]
Sterling Cap		£–	43.28	43.28	4.42	[illegible]
TSB Trust Funds (CI)						
PO Box 938, St Helier, Jersey 0534 503002						
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	101.83	101.83	104.88	0.00	[illegible]
Gilt & Fixed Interest	5	[illegible]	[illegible]	131.03	5.31	[illegible]
Blue Chip & Gilt Erlcnd	5	64.03	64.31	67.70	3.45	[illegible]
International Bond	5	141.95	141.95	149.15	3.95	[illegible]
UK Equity	5	274.94	[illegible]	[illegible]	0.90	[illegible]
International Equity	5	215.98	219.48	231.00	0.30	[illegible]
Far Eastern	5	208.81	212.54	223.73	0.00	[illegible]
European	5	151.66	152.85	[illegible]	0.00	[illegible]
Pan American	5	483.39	[illegible]	[illegible]	0.00	[illegible]
TSB Gilt Fund Ltd						
Quarterly Share	3	111.63	111.63	115.38	6.94	[illegible]
Monthly Share	3	110.15	118.15	113.77	7.63	[illegible]

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Barclays Diversified Portfolio						
14 rue Aldringen L-1118 352 4799 2939						
IPS Deutschemark Reserve	DM–	32.24	–	–	–	[illegible]
IPS Sterling Reserve	£–	10.75	–	–	–	[illegible]
IPS Swiss Franc Reserve	SFr–	61.12	–	–	–	[illegible]
IPS US Dollar Reserve	$–	20.87	–	–	–	[illegible]
IPS European Bond	Ecu–	18.88	–	–	–	[illegible]
IPS North American Bond	$–	21.88	–	–	–	[illegible]
IPS Espana	Pta–	3380	–	–	–	[illegible]
IPS Europe	Ecu–	12.88	–	–	–	4211
IPS Japan	$–	27.34	–	–	–	4212
IPS Pacific Rim	$–	29.76	–	–	–	[illegible]
IPS United Kingdom	£–	12.07	–	–	–	[illegible]
IPS United States	$–	22.06	–	–	–	[illegible]
IPS Hedged Global Bd Dlr	$–	20.79	–	–	–	[illegible]
IPS Hedged Global Bd Stg	£–	10.45	–	–	–	[illegible]
Barclays Inv Funds (Luxembourg)						
41 Avenue de la Gare L-1611 010 352 404344						
Equity Fund						
European Equity	£–	1.028	1.094		0.2	[illegible]
Intl Equity	£–	1.583	1.684		0.3	[illegible]
North Am Eqty	$–	36.71	39.04		0.2	[illegible]
Pacific Eq	£–	9.181	8.782		0.3	[illegible]
UK Equity	£–	1.172	1.247		2.2	[illegible]
Bond Fund						
International Bond	$–	98.36	[illegible]		0.2	[illegible]
CMI Asset Management (Luxembourg) SA						
203 route d'Arlon, L-1150 Lux 010 352 458825						
CMI Managed Portfolio Investment Company (a)						
Safeguard Portfolio F	£–	1.294	1.378		–	[illegible]
Growth Portfolio F	£–	1.229	1.309		–	[illegible]
Enterprise Portfolio F	£–	1.216	1.297		–	[illegible]
CMI Global Network Fund (a)						
Australasian Equity	A$–	15.573		1.44		[illegible]
Benelux Equity	DM–	23.351		0.79		[illegible]
Canadian Equity	C$–	10.802		[illegible]		[illegible]
SE Asia Equity	$–	18.814		0.44		[illegible]
French Equity	FFr–	88.394		0.54		[illegible]
German Equity	DM–	21.557		0.34		[illegible]
Iberian Equity	Pta–	678		0.42		[illegible]
Irish Equity	I£–	4.622		–		[illegible]
Italian Equity	L–	7703		–		[illegible]
Japanese Equity	Y–	1341		–		[illegible]
Nordic Equity	SKr–	56.469		–		[illegible]
Swiss Equity	SFr–	25.209		–		[illegible]
UK Equity	£–	6.920		1.60		[illegible]
US Equity	$–	[illegible]		[illegible]		[illegible]

JERSEY (REGULATED)(**)

Barclays Intl Funds

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

German repo eyed

The European currency markets' main focus this week will be the Bundesbank's latest allocation of securities repurchase agreements, amid hopes that the repo rate could ease egain, *writes Conner Middelmann.*

After the German call money rate eased some 20 basis points last week to trade around 6.25 per cent on Friday, many traders were looking for a repo-rate reduction this week of some 5-10 basis points from last week'e 6.38 per cent minimum rate.

UK clearing bank base lending rate 6 per cent from January 26 1993

The Bundesbank's policy-setting central bank council will meet on Thursday, but few market participants are expecting it to cut Germany's leading Discount and Lombard rates.

However, eome market participente eey the Netherlands may lower its 6.10 per cent epecial edvances money market rate next week, independent of any Bundesbank move. Dutch call money has been trading below the special advances rate most of this week while the guilder remains the strongest currency in the European Monetary System.

The UK markets are in for a busy week, with data on retail prices, public sector borrowing, retail sales, money supply, unemployment and trade, as well as revised date on third-quarter gross domestic product. The numbers are expected to confirm the general picture of a slow but steady recovery.

However, sterling is widely expected to continue trading in a relatively narrow range ahead of the November 30 Budget.

The dollar's fortunes will hinge on Wednesday's US Congreseional vote on the North American Free Trade Agreement (Nafta), the outcome of which is still uncertain. The dollar is expected to press upwards against a resistance point at DM1.7000.

£ IN NEW YORK

Nov 12	Close	Previous Close
£ Spot	1.4845-1.4850	1.4750-1.4760
1 month	0.33-0.32pm	0.33-0.32pm
3 months	0.83-0.81pm	0.83-0.82pm
12 months	2.60-2.45pm	2.52-2.46pm

Forward premiums and discounts apply to the US dollar

OTHER CURRENCIES

Nov 12	£	$
Argentina	1.4795 - 1.4800	0.9990 - 0.9995
Australia	2.2480 - 2.2495	1.5180 - 1.5190
Brazil	295.805 - 295.825	199.735 - 199.745
Finland	8.6215 - 8.6515	5.8215 - 5.8415
Greece	360.525 - 360.920	243.300 - 243.700
Hong Kong	11.4415 - 11.4425	7.7250 - 7.7260
[illegible]	[illegible]	[illegible]

STERLING INDEX

Nov 12		Previous
[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Nov 12	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

CURRENCY RATES

Nov 12	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

Nov 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

Nov 12	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Pesetas per 100.

EURO-CURRENCY INTEREST RATES

Nov 12	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov 12)	3 months US dollars		6 months US Dollars	
	bid 3⅛	offer 3¼	bid 3⅜	offer 3½

MONEY RATES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Nov 12	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]	[illegible]	[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

	Nov 12	Change
TOKYO		
One month		
Three month		
BRUSSELS		
One month	9 1/16	[illegible]
Three month	8 9/16	[illegible]
AMSTERDAM		
One month	6.15	-0.01
Three month	6.10	Unch'd
PARIS		
Intervention Rate	6.45	Unch'd
One mth. Interbank	6.695	Unch'd
Three month	6.725	-0.06
MILAN		
One month	[illegible]	[illegible]
Three month	[illegible]	Unch'd
DUBLIN		
One month	[illegible]	[illegible]
Three month	[illegible]	Unch'd

BASE LENDING RATES

	%		%		%
Adam & Company	6	Duncan Lawrie	6	●Rea Brothers	8
Allied Trust Bank	6	Exeter Bank Limited	7	* Roxburghe Bank Ltd	8
AIB Bank	6	Financial & Gen Bank	7	* (in administration)	
●Henry Ansbacher	8	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Bank of Baroda	8	Girobank	6	●Smith & Williamson Secs	6
Banco Bilbao Vizcaya	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Cyprus	6	Habib Bank AG Zurich	6	TSB	6
Bank of Ireland	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of India	6	Heritable & Gen Inv Bk.	6	Unity Trust Bank Plc	8
Bank of Scotland	6	●Hill Samuel	6	Western Trust	6
Barclays Bank	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
Brit Bk of Mid East	6	Hongkong & Shanghai.	6	Wimbledon & Sth West	7
●Brown Shipley	8	Julian Hodge Bank	6	Yorkshire Bank	6
CL Bank Nederland	8	●Leopold Joseph & Sons	8		
Citibank NA	6	Lloyds Bank	6		
City Merchants Bank	6	Meghraj Bank Ltd	6		
Clydesdale Bank	6	Midland Bank	6		
The Co-operative Bank	6	* Mount Banking	6		
Coutts & Co	6	* (in administration)			
Credit Lyonnais	6	NatWestminster	6		
Cyprus Popular Bank	6				

● Members of British Merchant Banking & Securities Houses Association

STOCK INDICES

	Nov 12	Nov 11	Nov 10	Nov 9	Nov 8	Nov 5	1993 High	1993 Low	Since Compilation High	Since Compilation Low
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-A All-Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Eurotrack 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Eurotrack 200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Ordinary	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Government Secs.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Fixed Interest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Gold Mines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	US Dollar Index	% chg	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FIXED INTEREST

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Money Market Bank Accounts

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	Wk% ch'nge	Div gross	Dividends paid	Last xd	City line
Abbott Labs		19⅛	1.8	68c	FeMyAuNv	11.10	1503
Alleghany & W	♥	495p	10.9	30c	–	–	–
Amdahl		321½	0.9	5c	NvFeJeAu	31.1	–
Amer Cyanamid		34⅛	–5.5	$1.75	MrJeSeDe	4.3	–
Amer Express		20⅞	1.7	$1.00	FeMyAuNv	8.10	1594
Amer T & T		38½xd	2.3	$1.32	FeMyAuNv	25.6	1597
Ameritech		55	–2.5	$3.88	FeMyAuNv	28.3	–
Anheuser-Busch		32⅞xd	0.6	Q$1.44	MrJeSeDe	4.11	1620
BankAmerica		27⅝	1.8	$1.40	MrJeSeDe	17.8	1743
Bankers NY		61⅛	2.0	$3.12	ApJyOcJa	1.10	1745
Bell Atlantic		42	–3.2	$2.58	FeMyAuNv	4.7	–
BellSouth		38⅞	–5.8	$2.76	FeMyAuNv	6.4	–
Bethlehem Steel	♥	11⅞	6.7	–	MrJeSeDe	6.2	1821
Bowater		1517p	1.7	60c	OcJaApJy	6.9	1884
CPC		32⅛	2.8	$1.28	JaApJyOc	27.9	2363
California Engy		1190p	–3	–	–	–	–
Chase Manhattan		21⅝	3.7	$1.20	FeMyAuNv	28.10	2109
Chrysler		35⅞	0.9	60c	ApJyOcJa	10.9	2135
Citicorp		24⅞	5.1	–	–	23.10	2141
Colgate-Palm		37⅞	–2.7	$1.44	FeMyAuNv	20.10	2164
Cont'l Bank		1612p	1.3	60c	DeMrJeSe	31.5	–
Dana		38⅝	–.9	$1.60	MrJeSeDe	27.8	2306
Data General		633p	–1.7	–	–	–	–
Decora Inds.	♥	98p	–	–	–	–	–
Dun & Brad		44⅞	–1.4	$2.44	MrJeSeDe	13.2	–
Eaton		35½	–1.7	$1.20	FeMyAuNv	2.2	2418
Echlin		22⅛	4.2	70c	JaApJyOc	1.10	3046
FPL		25	–1.8	$2.48	MrJeSeDe	24.8	–
Ford Motor		41⅞	–3	$1.60	MrJeSeDe	27.10	2615
Gen Elect		63⅞	–	$2.52	JaApJyOc	21.9	2675
General Host	♥	472p	–3.9	34c	–	13.12	–
Gillette		$1¼	2.8	84c	MrJeSeDe	28.7	2695
Hasbro		20⅞	–	24c	FeApJyNv	1.8	–
Honeywell		21⅛	–1.9	88c	MrJeSeDe	24.8	2919
Houston Inds		30⅞	–5.4	$3.00	MrJeSeDe	18.11	-
Ingersoll-Rand		25⅞	2.8	70c	MrJeSeDe	17.8	2979
Lockheed		47⅞	2.5	$2.12	MrJeSeDe	13.2	–
Lowe's		3410p	3.6	32c	JaApJyOc	11.7	-
Malvy Technology		378p	21.7	–	–	–	–
Merrill Lynch		61⅛	2.5	$1.60	FeMyAuNv	30.4	3351
Morgan (JP)		47⅞xd	2.2	$2.40	JaApJyOc	15.9	3416
Morris (Philip)	§	39⅞	6.1	$2.60	JaApJyOc	10.9	5161
NYNEX	h	29	4.5	$2.36	FeMyAuNv	27.8	4740
Pall		14	1.8	32c	FeMyAuNv	24.1	-
Pennzoil		36½	–3	$3.00	MrJeSeDe	26.8	3630
Quaker Oats		48	2.9	$2.12	JyOcJaAp	14.9	3738
Quesirex		278p	9.9	–	-	–	2416
Rockwell		23⅛xd	–.6	$7.80	MrJeSeDe	8.11	3847
Rep NY		32⅞	7.2	$1.08	JaApJySe	10.9	3614
Sears, Roebuck		38½	–1.0	$1.60	JaApJyOc	26.8	5191
Sthwestern Bell	h	27⅞	–2.8	$1.51	MyAuNvFe	4.7	–
Sun Co		$1½	3.0	$1.80	MrJeSeDe	5.11	4135
Tenneco		33⅛	–1.2	$1.60	MrJeSeDe	30.8	–
Texaco		44⅛xd	1.1	$3.20	MrJeSeDe	3.11	4200
Time Warner		28⅞	–.4	32c	MrJeSeDe	10.9	4234
Unilab	♥	385½	–	–	–	–	–
US West		31⅞	–4.5	$2.14	FeMyAuNv	14.4	–
Varity		2532p	1.0	–	–	11.77	–
WMX Technologies		18½	6.4	60c	ApJyOcJa	17.8	4439
Whirlpool		4178p	0.3	$1.22	MrJeSeDe	4.3	–
Woolworth	♥	14⅞	–2.1	$1.16	MrJeSeDe	26.1	4540

CANADIANS

	Notes	Price £	Wk% ch'nge	Div gross	Dividends paid	Last xd	City line
Amer Barrick		1962p	6.0	12.0	Jun Dec	–	–
Bk Montreal	h	13⅛	–1.8	$1.12	FbMyAuNv	2.8	1029
Bk Nova Scot		1604p	–2.1	$1.12	JaApJeOc	30.6	1617
BC Gas	♥	858p	–2.6	80c	FeMyAuNv	30.12	-
BCE		23½	–1.0	$2.64	ApJyOcJa	12.6	–
Brascan	♥	748p	8.3	$1.04	JaApJyOc	28.10	–
Bredwater	♥	9p	50.0	10c	–	–	–
Can Imp Bk		1588p	–3.2	$1.32	JaApAuNv	29.6	1037
Can Pacific		1163p	–.5	32c	JaApJyOc	28.12	–
4pc Deb		47¼	0.5	Q4%	Jan Jul	22.5	–
Darlan	♥	278p	5.3	28c	MrJeSeDe	3.8	–
Echo Bay	♥	885p	1.0	8.4c	Jun Dec	–	1078

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

STORES - Cont.

MINES - Cont.

METALS & METAL FORMING

TELEPHONE NETWORKS

TEXTILES

PROPERTY

MISCELLANEOUS

OTHER FINANCIAL

INVESTMENT COMPANIES

TRANSPORT

MEDIA

OTHER INDUSTRIALS

WATER

MOTORS

STORES

SOUTH AFRICANS

PLANTATIONS

PACKAGING, PAPER & PRINTING

MINES

OIL & GAS

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock"
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡1 Not officially UK listed; dealings permitted under Rule 535(2)
Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
§ Forecast dividend; cover based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Annualised dividend.
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend.
h Assumed dividend after scrip issue.
m Interim higher than previous total.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend excludes a special payment.
t Indicated dividend: cover relates to previous dividend.
u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.
v Not subject to ACT.

z Dividend includes a special payment: Cover does not apply to special payment.
E Auction basis
F Dividend based on prospectus or other official estimates for 1994-95.
G Assumed dividend after pending scrip and/ or rights issue.
H Dividend based on prospectus or other official estimates for 1993.
K Dividend based on prospectus or other official estimates for 1992-93
L Estimated annualised dividend, cover based on latest annual earnings.
M Dividend based on prospectus or other official estimates for 1993-94.

N Dividend based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
Q Gross.
R Forecast annualised dividend, cover based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend total to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of 21225 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Gencor (Mines/Aust.), Hamlet (Textiles), Hemingway Props. 7 1/2pc Ln. 2027 (Props.), Quarto 8 3/4pc Pf. (Media) and Regent (Packaging, Paper & Printing). Deletion: Abbot Energy (Canadians)

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An International service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

4 pm close November 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	1993 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
14⅝	11½	AAR	0.48	3.5	693	69	14	13¾	13⅞	-⅛
20⅞	13¾	A L Labs A	0.18	1.2	34	584	14⅞	14⅝	14⅞	
97¼	54⅝	AMP	1.60	2.5	22	1161	63⅞	62⅞	63⅛	-¼
72¾	56½	AMR			56	3618	71⅛	69¾	71	+1¼
3⅞	1⅜	ARX			12	171	3½	3⅜	3⅜	+⅛
61½	29⅞	ASA	2.00	4.0	33	453	51	50¼	50	-½
30¾	22⅝	AbbtL	0.68	2.3	17	10624	29⅛	28¼	29⅛	+⅜
12⅝	9¼	AbitibiPr	0.50	4.7	8	24	10⅝	10⅝	10¾	+¼
15⅝	6¼	Acptncin			48	180	13¼	12⅞	13	-⅛
28	25½	ACE Ltd	0.92	2.0	5	486	31⅝	31½	31⅝	+⅛
12	10¾	ACM Gvt In	0.96	0.1		92	11⅞	11¾	11⅞	+⅛
10⅛	9⅛	ACM GvOpp	0.80	8.3		64	9⅝	9⅝	9⅝	-⅛
16⅛	6¾	ACM Gvt Sp	0.80	0.1		865	16	9⅞	9⅞	
11⅝	10½	ACM Gvt Se	0.96	8.3		228	x11⅝	11½	11½	
11⅞	9⅝	ACM Man	1.08	9.2		60	11¾	11⅝	11¾	+⅛
6⅞	6⅝	ACM Managd	0.72	7.9		145	9¼	9⅛	9⅛	
12⅞	7¾	AcmeCv	0.44	4.4	13	230	10⅛	10	10	-¾
11⅞	6⅞	Acme Elect			39	100	8¾	8⅝	8¾	+⅛
27⅞	10⅞	Acordia	0.44	1.9	13	17	23¼	23	23	
18	10⅞	Acuson			63	995	14	13⅝	13⅞	+⅛
21¾	18¼	Adams Expr	0.48	2.5	0	553	19⅞	19¼	19⅞	+¼
66¼	40½	Ad Micro	3.00	6.0		62	50⅛	48¾	50	
32¾	17⅝	AdvMic	3.00	15.2	7	3782	20⅛	19¾	19¾	-⅛
8⅛	5½	Advest Grp	0.19	2.2	12	70	7⅛	7	7⅛	
24¾	14¼	Advo Inc	0.08	0.5	72	45	16⅞	15⅛	15¾	+⅛

Continued on next page

4 pm close November 12

NYSE COMPOSITE PRICES

Continued from previous page

Price data supplied by Telekurs

NASDAQ NATIONAL MARKET

4 pm close November 12

AMEX COMPOSITE PRICES

4 pm close November 12

MONDAY INTERVIEW

Chips with everything

The trio at the top of Intel, the world's biggest semiconductor maker, talks to **Alan Cane**

Tony Andrews

Triple-rated trio: from left, Grove, Moore and Barrett have steered Intel to its present pre-eminence

Intel Corporation, the company which gave style and identity to the featureless, plastic-wrapped chips at the heart of most of the world's 100m personal computers, is 25 years old and on a roll.

It dominates the global semiconductor business – the first US company to break Japan's hold on the semiconductor business in almost a decade. The numbers "386" and "486", which identify its most popular microprocessors, are common argot thanks to the "Intel Inside" marketing campaign and relentless media advertising for Intel-based computers.

With revenues of more than $5bn last year, the company's brand name is third in the value stakes, according to an annual survey of brand values by US magazine Financial World, behind Marlboro and Coca-Cola.

However, intensified competition is the price it is paying for success. International Business Machines, Digital Equipment and Advanced Micro Devices are among the big companies determined to break the company's dominance. Intel's response over the next few years will be critical for maintaining its position. Its strategy is simple. It intends to out-spend, out-innovate and out-perform its rivals.

The detailed execution of this policy is in the hands of three men who share much of the credit for steering to Intel its present pre-eminence.

First, Gordon Moore, the chairman, who together with the late Robert Noyce founded Intel in 1968. A consummate technologist, he deduced an eponymous industry "law"* which has so far stood the test of time in forecasting the progress of chip technology.

Then there is Andrew Grove, 56, chief executive since 1987, a volatile Hungarian noted for uncompromising business aggression. He is the public face of Intel. Finally, there is Craig Barrett, 54, the chief operating officer and a former materials scientist at Stanford University.

The three have worked together for almost two decades. All tell stories of their personal fears about giving up secure jobs in the electronics business to join the fledgling chipmaker.

They are hugely different in personality and focus: Moore, the courtly long-term strategist; Grove, the driver, pushing the company forward and facing down the competition; Barrett, the operations specialist concerned about quality and *efficiency*.

If they quarrel among themselves, they do it quietly and in private, colleagues say. Intel prides itself on an open, informal culture and enlightened management attitudes. Grove, indeed, writes a management question and answer column for a local newspaper.

This culture has nurtured the creativity that has made Intel a power-house of innovation in semiconductors. It invented the high-speed memory (D-Ram) used in every kind of computer system. It developed the microprocessor in 1971, and a decade later IBM chose Intel chips for its families of personal computers.

The IBM link-up was to be the key to Intel's success, though few saw it as such at the time. Grove said he barely remembers the details: "I did not see it as a big deal. Personal computers were not that much of a big deal then anyway. I took more notice when IBM put our chips in its Displaywriter [an early word processor] because there was one in our office. It was a real, professional machine. I thought IBM might sell 50,000 personal computers."

In the event, IBM's PC proved a global best-seller, rendering the Displaywriter obsolete. The IBM PC was widely copied by electronics manufacturers worldwide, each of which had to come to Intel for supplies of the all-important central microprocessor. This was because IBM PC software ran best on Intel's chips. Some 40m IBM-clone PCs are now manufactured each year, more than the total global volume of passenger cars.

Intel's continued domination of the PC microprocessor market flows from a strategic masterstroke in the 1980s. It refused to give other manufacturers a licence to make its most *powerful chips. This gave* it a stranglehold on a rapidly growing market, and underpinned its increasingly impressive profitability.

A backlash was, of course, inevitable. Led by Advanced Micro Devices of the US, some competitors have been building clones (functionally similar versions) of Intel's market-leading designs without its permission. Other manufacturers, notably Digital Equipment and IBM – in spite of the latter's continued use of Intel chips – have launched their own designs of high-performance chips in an effort to displace Intel's products as the industry standard.

One consequence of this has been an avalanche of legal action and counter-action in the US, as Intel strives to protect its intellectual property. "Nothing ever gets finished in this business," bemoans Grove, who has carried much of the load of representing Intel in the courts.

"Copying somebody else's designs is not how I would like to make my living. If that is what you choose, however, the least you can do is be meticulous in *honouring* the trade secrets and patents of the party you are going to rip off," he said.

Grove's anger is spurred by the cost of remaining at the cutting edge of the semiconductor business. Intel will spend a total of $2.5bn this year on research and development. The semiconductor industry has traditionally invested more than 20 per cent of revenues on capital equipment, but spending on this scale is exceptional. How long can it continue? Barrett is sanguine: "So long as our revenues are growing and our margins are good, it can go on indefinitely."

He adds: "We will compete with the clone makers by staying at the leading edge of microprocessor performance. It is the cannibal strategy. We have to gobble up our older children – our current microprocessors – before the competition does. We intend to move as fast as we can, ripping up the road behind us."

The chief hurdle, as Moore explains, is the physical problem of printing smaller and smaller circuit images on silicon. The answer, some technologists believe, is X-rays. "That involves some fundamental problems that need a lot of work," Moore said. "We will have to wait and see. In the end, the chief problem could be the cost. That could slow things up. But existing techniques will last until well into the next century – and after that it is somebody else's problem."

Meanwhile Intel is seeking new markets to conquer. Grove explains: "We are working to establish a presence in a related but different business which we hope will contribute to revenues in the same way that microprocessors kicked in when the D-Ram business slowed down.

"We are working on devices that will turn personal computers into communication devices. Personal computer conferencing is probably the best way to describe it.

"Business is about communications, sharing data and instantaneous decision-making. If you have on your desk a device that enables you to communicate and share data with your colleagues around the world, you will have a strategic advantage."

The first of these products is expected to be launched in the US within six months; selected European countries will be targeted next, depending on the speed with which Intel can get approvals from local telecommunications authorities.

Intel has already proved itself in silicon memories and microprocessors; its move in communications suggests that Moore, Grove and Barrett have lost none of their hunger for the taste of innovation and success.

* *Moore's Law states that the number of electronic elements which can be written on the same size chip will double every 18 months.*

COMPANY FILE

- 1968 Gordon Moore and Robert Noyce leave Fairchild Semiconductor and establish Intel.
- 1971 Intel introduces the world's first microprocessor, the 4004.
- 1977 Intel hires its 10,000th employee.
- 1981 IBM PC based on Intel microprocessor launched.
- 1984 Company breaks $1bn sales barrier.
- 1987 Intel returns to profit after its first ever loss in 1986.
- 1990 Intel's first $1bn quarter.
- 1993 Intel's first $2bn quarter.

What Nafta says about democracy

MICHAEL PROWSE on AMERICA

"We can limit the powers of organised interests only by limiting the powers of government." Friedrich Hayek

With luck, the US House of Representatives will vote narrowly in favour of the North American Free Trade Agreement on Wednesday. Mr Al Gore, the vice-president, demolished Mr Ross Perot in last week's televised debate and public opinion appears to be swinging in Nafta's favour. Yet the vote could still go the wrong way. And if a victory is won, it will be narrow enough to raise serious questions about the US political process.

Mexican misgivings about Nafta, while misguided, are understandable. The treaty would expose sensitive Mexican sectors – such as cars, financial services and telecommunications – to competition from an economy that is 25 times larger. The US position is quite different, since its home market is already largely open. Studies consistently show that Nafta will boost US employment and growth; there is not even convincing evidence that it will harm low-wage US workers.

Nafta's opponents, such as Mr Richard Gephardt, the house majority leader, are in a curious position. For years they railed about the threat from protectionist high-wage economies such as Japan. These arguments, while fallacious, had an aura of plausibility. But Mexico is a low-wage economy running a trade deficit with the US that is offering to reduce its trade barriers. If both Japan and Mexico represent potent threats, with whom can the US trade openly? Presumably only a country with exactly the same level of wages, exactly the same working practices and a bilateral trade account that is always precisely in balance.

Yet if the case against Nafta is so weak, why is congressional opposition so strong? Why did the vice-president feel obliged to challenge Mr Perot to a debate moderated by, of all people, Mr Larry King, the CNN talk show host? This was hardly an appropriate forum in which to determine the fate of US economic policy.

The answer is that Nafta provides a classic example of a serious failing of modern democracies. Advocates of democracy in the 18th and 19th centuries felt certain that, if all the people had a chance to vote, their representatives would have to support policies in the interests of the nation as a whole. Democracy would thus spell the end of arbitrary rule by despotic minorities and usher in a marvellous new age of rational government.

In the 20th century, most democracies have fallen far short of these high ideals. On many economic issues, democratically elected representatives feel obliged to support the narrow sectional interests of their regions or the groups, such as unions or professions, that lavishly financed their campaigns. The problem is especially acute in the US, where the dominance of commercial television forces politicians to present their case in 30-second "sound bites". In these circumstances, whether a policy is in the national interest is of little consequence; what determines the outcome is whether enough sectional interests can be lined up to push the vote over 50 per cent.

If Mr Clinton gets Nafta through, the price will be many damaging concessions on other issues of particular interest to various lobbies.

Nafta highlights the problem of sectional interests because the pain from trade liberalisation will be felt immediately by specific groups whereas the (larger) benefits will be broadly spread over the whole population. But the same destructive dynamic affects a whole range of other policies: Europe's lavish agricultural subsidies, for example, are clearly not in the interests of European consumers yet majority governments seem impotent to curtail them.

How can modern democracies neutralise the power of sectional interests? Mr Clinton's answer is to hold "town hall" meetings and use his considerable powers of persuasion to convince voters that policies which hurt minority groups are sometimes essential for the national interest. Such a strategy may help at the margin.

But it does not address the core problem, which was identified by Friedrich Hayek, the late Austrian economist. Hayek argued that it is an elected assembly's virtually unlimited ability to promote the interests of particular groups that exposes it to political blackmail. The solution, he maintained, lay in a greater reliance on general rules, perceived to be in the nation's long-term interests, that must be applied in particular circumstances regardless of the consequences for specific groups.

Monetary policy could serve as a model. Several nations are trying to insulate monetary authorities from perverse short-term political pressures by setting specific inflation targets for central banks. In principle trade could be treated the same way: nations, perhaps through constitutional amendments or other devices, could make a binding long-term commitment to free trade principles. In the face of such a general rule, sectional and local interests would soon recognise the futility of lobbying individual politicians who would no longer be capable of feathering their nests.

It sounds utopian and probably is. Yet the hysteria over Nafta surely shows that something must be done to insulate modern democracies from sectional interests and to increase their ability to pursue rational policies in the interests of the population as a whole.

Lion and dragon showdown

Simon Holberton on the stalled talks over Hong Kong's future

Only an optimist would believe that the resumption of talks on Friday between Britain and China on Hong Kong's political future will lead to a comprehensive agreement.

For the negotiations to be fruitful, the parties would have to undergo a Pauline conversion on the road to Daoyutai – the location for the talks in Beijing.

This would mean either – or both – of them reluctantly conceding strongly-held principles on the colony's 1995 elections. After more than 150 hours of negotiations, such an outcome is unlikely.

At best, the two days of talks might result in a partial accord on Governor Chris Patten's plans for more democracy in Hong Kong. This may allow extra time to address the more controversial aspects of his package, such as broadening the franchise for Hong Kong's voters. It would not amount to complete agreement, but at least it would be some progress.

At worst, the two parties will not even achieve a partial accord. If negotiations do founder, Mr Patten's original bill for greater democracy in the colony is likely be presented, in defiance of Beijing, to the Legislative Council (LegCo), Hong Kong's 60-strong law-making body, by early next month.

Until recently Mr Patten – the target of some unpleasant abuse by the communist-controlled Hong Kong press – has given an Oscar-winning performance as a conviction politician who will not compromise his core beliefs.

China has with obdurate determination played, by turns, the role of victim of English perfidy and uncompromising guardian of the 'sacred texts' (past Anglo-Chinese agreements).

But before, and after, last week's meeting of the British cabinet committee which decides Hong Kong policy, both sides slipped ever so slightly out of character. Could it be that the dragon and the lion can sit down and cut a deal; that the storm and fury of the past year was just that?

China led the way in the days preceding the British cabinet meeting with a *sotto voce* offer to accept the less contentious aspects of Mr Patten's plans. Britain's cabinet responded by offering more time to talk if such a deal could be stitched together at this week's talks. Hong Kong reacted predictably.

> **The parties must undergo a Pauline conversion for the negotiations to be fruitful**

Those who want more than the soupçon of democracy Mr Patten is offering smelled a rat. The United Democrats, which won most of the popularly contested LegCo seats in the 1991 elections, cried "sell-out" – and with some justification. They have seen tough talk of deadlines give way to "talks about talks". The United Democrats fear that the UK is slipping into past habits: posturing and ultimately give way.

Investors in Hong Kong's stock market also spotted the apparent change of position but drew a different conclusion.

In the aftermath of Wednesday's cabinet meeting the colony's stock market rose sharply, ending the week at a record high.

The business community, like its supporters in LegCo, wants a deal with China on almost any terms believing, like Micawber, that all will turn out for the best.

Yet as the week drew to a close, it became apparent that there might be less to the Chinese offer of a deal than first thought.

For the UK, settling the easy part of Governor Patten's package would entail agreements on aspects of the 1994 municipal poll and the more important and broader 1995 election. An acceptable interim deal, in London's eyes, would include reducing to 18 the age of voting in Hong Kong, (as is the case in China); replacing appointed members with elected representatives in urban and municipal councils in the 1994 poll; and allowing a "fair" vote for 20 of LegCo's 60 seats in the 1995 elections.

But as of last Friday it seemed all Beijing had in mind was agreeing to the reduction in the voting age and accepting the 1994 polls, while leaving the more important 1995 elections unresolved – the tactical offer it first made to Mr Douglas Hurd, Britain's foreign secretary, in September but which was rejected.

Beijing, having made no concessions in talks that have stretched back some seven months, needed to show the people of Hong Kong that it was prepared to be flexible. The British cabinet had no option but to take it at face value and offer something in return.

Viewed in this perspective, the twists and turns of the past week perhaps amount to no more than deft diplomatic manoeuvring before the two parties take to the negotiating table in Daoyutai. London and Beijing could simply be positioning themselves for the battle for Hong Kong's hearts and minds which will inevitably commence if the negotiations collapse.

In spite of all the speculation about partial deals, the realities underlining the dispute have not changed. The world is justifiably agog at China's headlong rush to modernise its economy. China may no longer be a communist state; but it would be wrong to conclude that China's government has also thrown off its Leninist mantle.

Beijing's primary aim in its protracted negotiations with London is to secure political control in – as well as of – Hong Kong.

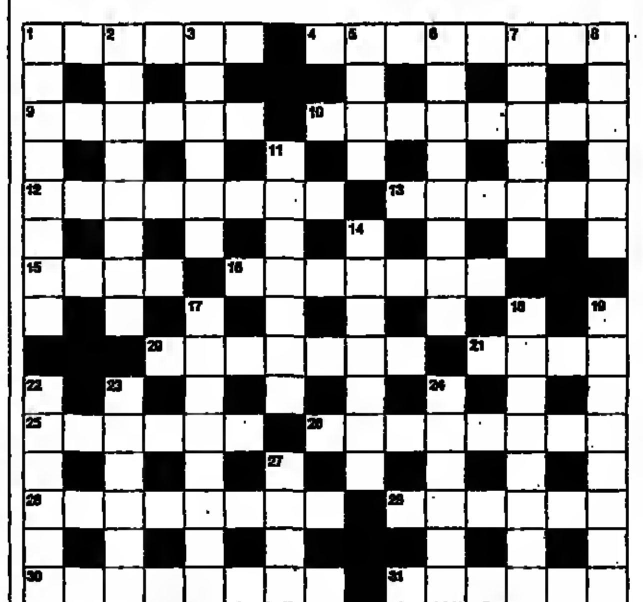
This is most apparent in its reluctance to concede Britain's demand to broaden the franchise for 30 LegCo members in the so-called "functional constituencies" (industry-based votes), and allow democratic selection of a committee which would elect 10 LegCo members.

This issue is the single most important obstacle to final agreement. It seems unlikely that Beijing would agree terms for an election whose outcome was unpredictable.

The British government, however, if it stands by Mr Patten's fine words, can do no less.

CROSSWORD

No.8,306 Set by PROTEUS



ACROSS

1 Engine plant (6)
4 Attempts to get work at hospital included for ewards (8)
9 It is in the Alps perhaps one sees this hair-style (6)
10 Record pile toppled by follower (8)
12 Worker having to run away from animal (8)
13 *Cheque-holder's Indian servant* (6)
15 Food manufactured to be rejected (4)
16 *Waste food* (7)
20 Garment for the fuller figure? (7)
21 Avoid quiet French one (4)
25 Takes it easy in loose trousers (6)
26 The height of distinction (8)
28 Qualifying bill for example that is thrown out (8)
29 Adder seen in hot weather (6)
30 Reels in which leading players swallow egg-flip (8)
31 Travelled by air and secured slight reductions (6)

DOWN

1 Watch kept by traveller on consumer (8)
2 Applaud tricky part in flashy display (8)
3 Stole kiss perhaps to win praises (6)
5 Bird seen in bar (4)
6 Choose reel designed to land fish (8)
7 *Child with skill to communicate* (6)
8 Weapons or fruit on board ship (6)
11 Cheerful vivacity evinced in strong drink (7)
14 Pours out lots of paper by the way (7)
17 Poet acting as nurse (8)
18 Eastern chap having s ball (6)
19 After one book went astray and was buried (8)
22 Estimate value of she-animal? (6)
23 Damage in a boating-pool (6)
24 *Flower-book* (6)
27 Disparage smooth musical effect (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday November 27.